Allied powers (1919-) Reparation commission.

DOC. 1.

[Documents issued by the TRANSFER COMMITTEE

ECONOMIC SERVICE]

Berlin, November 24, 1924.

NOTE BY MONSIEUR FRERE ON THE IMPROVEMENT IN THE FOREIGN EXCHANGE MARKET IN GERMANY AND THE NEW REGULATIONS FOR FOREIGN EXCHANGE BUSINESS.

I. The improvement in the foreign exchange market.

Simultaneously with the improvement in the state of the German Budget and the slackening of rates on the money market, conditions on the foreign exchange market have become more and more favourable.

During the first part of the year the Reichsbank had, in fact, great difficulty in maintaining the mark at the stabilised rate, and was even obliged during the period from January to June to sacrifice further fractions of its gold holding.

During the whole of the first part of the year the demand for foreign exchange remained very keen throughout Germany, so much so that on 7 April the stability of the mark seemed really threatened, and the Reichsbank had to decide upon an extensive restriction of credit.

The effect of this measure was not long in making itself felt. During May the mark gradually improved. The restriction of credit forced the industrialists and business men to bring back to Germany the foreign exchange at their disposal. At the same time the public in Germany and abroad became increasingly

convinced that the stability of the mark, at the outset regarded in many quarters as no more than the precarious and ephemeral success of a financial tour de force, was now ensured, and that the Bank would not hesitate to uphold it.

Lastly, since May and June, as political events clearly showed that the Experts' Plan for the payment of Reparation would really be put into effect, confidence was restored on the big international money markets and foreign capital again found its way to Germany.

This combination of factors resulted in the tendency on the foreign exchange market being completely reversed during May, and in the Reichsbank being able to abandon, at the beginning of June, the system of allotments, which it had hitherto had to adopt. By the middle of the same month, the Bank was in a position to buy gold against mark credits, in order to reconstitute its reserve.

The following table which shows the fluctuations in the gold holding of the Bank is the best possible indication of the position of the Mark on the international markets.(*)

(*) There is, in fact, no other statistical index to the position of the Mark on the international exchange market, since there are no forward quotations of the Mark on foreign markets.

Date	Gold holding (in millions of gold marks)		Difference
	at the Bank	in unencumbered deposit abroad	
1924			
7 January	445.7	21.3	
15 "	445.7	21.3	
23 "	445.7	21.3	
31 "	445.7	21.3	
7 February	445.7	21.3	
15 "	445.7	21.3	
23 "	443.5	21.3	- 2.2
28 "	443.5	21.3	
7 March	443.5	21.2	- 0.1
15 "	443.5	21.3	+ 0.1
22 "	443.5	21.2	- 0.1
31 "	443.5	21.2	
7 April	443.6	21.2	+ 0.1
15 "	443.7	16.1	- 5
23 "	425.6	16.1	- 18.1
30 "	425.6	16.1	
7 May	425.6	16.1	
15 "	425.7	16.1	+ 0.1
23 "	425.7	16.1	
31 "	425.7	16.1	

Date	Gold holding (in millions of gold marks)		Difference
	at the Bank	in unencumbered deposit abroad	
1924			
7 June	425.7	16.1	
14 "	431.8	16.1	+ 6.1
23 "	431.8	30.3	+ 14.2
30 "	431.8	30.3	
7 July	431.8	34.4	+ 4.1
15 "	434.8	34.4	+ 3.0
23 "	439.3	38.6	+ 8.7
31 "	439.3	44.9	+ 6.3
7 August	439.4	51.2	+ 6.4
15 "	439.4	58.6	+ 7.4
23 "	439.4	67.6	+ 9.0
30 "	439.4	77.0	+ 9.4
6 September	439.4	88.6	+ 11.6
15 "	441.4	102.3	+ 15.5
22 "	441.4	118.6	+ 16.3
30 "	441.4	136.4	+ 17.8
7 October	441.4	153.1	+ 16.7
15 "	441.4	153.1	+ 16.7
23 "	452.7	177.7	+ 16.9
31 "	454.1	240.0	+ 63.7
7 November	454.2	240.0	+ 0.1

The lasting improvement in the state of the market and the ease with which the Reichsbank has been able to buy gold since 7 June 1924, have enabled Germany to introduce new regulations for foreign exchange business.

II. The new regulations for foreign exchange business.

The Reichsgesetzblatt of 11 November 1924 (No. 55) publishes two Decrees (Decree of 31 October 1924 and Decree of 8 November 1924), which, out of all the extremely complicated regulations (there were some forty decrees) that saw the light during the period of inflation and especially towards the end of that period, retain only a few provisions deemed necessary for facilitating the transition from the system of control to that of complete liberty.

The German President's Decree of 31 October 1924 removes the restriction on selling marks abroad, a restriction based on a Presidential Decree of 7 September 1923. It "also authorises the German Government to rescind any other provisions governing the purchase and sale of foreign exchange".

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* *

The decree of 8 November 1924, promulgated under the preceding one, rescinds the obligation on the purchaser of foreign exchange to obtain a permit from the Finanzamt or from a Chamber of Commerce, and draw up an affidavit. It also

rescinds the obligation on the seller to hand over to the Reichsbank part of the foreign exchange received, and to notify the amount of business done, etc.

In particular, payments in foreign exchange against foreign exchange, payments in foreign exchange in Germany or abroad for any services rendered or goods purchased, even the sale of real estate against foreign exchange, and loans in foreign exchange, are henceforward lawful and free from restriction, no distinction being made between home and foreign business.

The most important restriction still in force is in connection with foreign exchange transactions against German instruments of payment (coin, note, cheques, drafts etc.). Such business may not be transacted except through the medium of a "Devisenbank".

"Devisenbanken" within the meaning of the Decree of 8 November are deemed to be :

1. The Reichsbank
2. " Deutsche Rentenbank
3. " Deutsche Golddiskontbank
4. " Devisenbeschaffungsstelle G.m.b.H.
5. " Reichskredit A.G.
6. " Banks of the several States
7. " Banks and bankers or their branches, fulfilling the following conditions:

a) Members of the Reichsbank Clearing House situated at their domicile, who are authorised to receive deposits, who are entered in the Trade Register or in the Co-operative Societies Register, and who being within the place or places served by an officially recognised stock-exchange, frequent such Exchange,

or cause it to be regularly frequented, or who

b) have been authorised to carry on foreign exchange business by the Central Administration of the State, in agreement with the Foreign Exchange Commissioner, or who

c) have been authorised to transact foreign exchange business by the Central Administration of their State, after consultation with the Reichsbank.

It follows from this clause inter alia that it is not permissible for a business man or private individual to sell directly to another person foreign exchange or foreign cheques against Marks, except through the medium of a Devisenbank.

The object of this provision is to maintain at the same time the pegged rate of foreign exchange and the Reichsbank control of Mark business.

Forward transactions are however still prohibited. This prohibition does not however extend to business done with the Reichsbank or the Devisenbeschaffungsstelle.(1)

Lastly, the purchase or sale of foreign exchange at higher rates than the official Berlin rates, is still prohibited.

If a foreign currency is not officially quoted in Berlin, the transaction cannot be concluded at a higher rate than that fixed by a commission of the Bedingungsgemeinschaft (Stock Exchange Committee) and published in the Press. If a

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(1)Up to the present it does not appear that any transactions of this kind have been concluded, or that any steps have been taken to organise a forward foreign exchange market at the Reichsbank or at the Devisenbeschaffungsstelle.

foreign currency is not officially quoted in Berlin, and there is also no rate fixed by the Bedingungsgemeinschaft, such currency cannot be bought or sold at a rate higher than the current rate calculated on the one hand from the official rate of that exchange on a foreign market, and on the other hand from the last known official rate of the currency in question on Berlin.

The Decree of 8 May 1923 on Money Changers' Offices is still in force. Money Changers' Offices will no longer be obliged however to hand over their foreign exchange to the Reichsbank. They are authorised to sell foreign bank-notes (but not foreign exchange) against German instruments of payment.

The Decree of 8 November 1924 also leaves untouched the Decree of 17 September 1923 on foreign exchange brokers (Devisenmakler).

Lastly, the Decree of 8 November 1924 makes the novel and significant change that any infringement of its clauses is punishable by fine only. Under the former regulations, any infringement of the foreign exchange regulations might entail imprisonment.

(Signed) MAURICE FRERE.

MB.

Documentation No. 2.

THE RETURNS OF THE REICHSBANK.

We reproduce herewith, with a view to statistical completeness, the returns of the Reichsbank published in October and November in their new form, in conformity with §§ 36 of the Bank Law (Bankgesetz). For comparison, we also publish the last return drawn up by the old method.

Last Return in Paper Marks, dated 7 October 1924.

(in milliards of marks)

A s s e t s

Gold	594 665 000
In hand	441 482 000
Unencumbered deposits in foreign Banks of Issue	153 183 000
New silver currency of the Reich	19 891 968
Reichs- und Darlehenskassen-scheine	324 000
Rentenbank Notes	246 322 062
Notes of other Banks	270
Bills of exchange & cheques	897 359 853
Bills of exchange & cheques in Rentenmarks	1 278 828 229
Advances against security,	6 111 200
including advances guaranteed by bills of exchange	4 648 400
Advances against security in Rentenmarks	8 664 400
Securities in hand	77 835 775
Miscellaneous Assets,	863 685 337
including Rentenmarks	24 413 369

L i a b i l i t i e s

Capital	180 000 000
Reserve funds	900 381
Notes in circulation	1 519 014 882
Deposits:-	
a) Reich and States	321 811 640
including Giro account in Rentenmarks	170 774 503
b) Private	371 444 928
including Giro account in Rentenmarks	186 676 556
Loan to the Rentenbank	800 000 000
Miscellaneous Liabilities	385 851 262
including Rentenmarks	404 852
Liabilities in respect of re-discounted bills of exchange payable in Germany	201 700 000

A complete collection of the Returns of the Reichsbank prior to 7 October 1924 appeared in the Paris Documents of the Intelligence Service of the Reparation Commission under the Subject Index Number C.C. 4511.

First Return
drawn up in conformity with § 36 of the Bank Law (Bankgesetz) of 30 August 1924 and dated 15 October 1924.

A s s e t s

	RM (1)
Unissued shares of the Reichsbank	210 000
Gold reserve (coins and bullion)	613 625 000
In hand	441 482 000
Deposited abroad	172 143 000
Foreign bills which can be used as cover	204 541 000
Other bills of exchange and cheques	2 153 943 000
Small German coins	59 359 000

(1) RM = Reichsmarks.

A s s e t s (continued)

	RM
Notes of other Banks	-
Advances covered by pledges (Lombardforderungen)	15 947 000
Securities	77 517 000
Miscellaneous Assets	929 901 000

L i a b i l i t i e s

Capital	
a) original capital	90 000 000
b) increase of capital decided upon	210 000 000
Reserve funds	900 000
Notes in circulation	1 396 748 000
Other liabilities payable at sight	828 511 000
Loan to the Rentenbank	800 000 000
Miscellaneous Liabilities	938 674 000

Re-discounted bills of exchange payable in Germany	256 200 000

Below we compare the balance sheets published since this date :-

	23 October	Difference as compared with 15 Oct.	31 October
Unissued shares of the Reichsbank	210 000 000	-	210 000 000
Gold reserve (gold and bullion)	630 502 000	+ 16 877 000	694 224 000
In hand	452 799 000	+ 11 317 000	454 191 000
Deposited abroad	177 703 000	+ 5 560 000	240 033 000
Foreign bills which can be used as cover	210 167 000	+ 5 626 000	231 407 000
Other bills of exchange and cheques	2 173 709 000	+ 19 766 000	2 339 662 000
Small German coins	61 557 000	+ 2 198 000	55 437 000
Notes of other Banks	-	-	3 000
Advances covered by pledges (Lombardforderungen)	16 765 000	+ 818 000	33 443 000
Securities	77 509 000	- 8 000	77 699 000
Miscellaneous Assets	947 418 000	+ 17 517 000	951 790 000
			L I A B I L
Capital			
a) original capital	90 000 000	-	90 000 000
b) increase of capital decided upon	210 000 000	-	210 000 000
Reserve funds	900 000	-	900 000
Notes in circulation	1 313 121 000	- 83 627 000	1 780 930 000
Other liabilities payable at sight	986 391 000	+ 157 880 000	708 728 000
Loan to the Rentenbank	800 000 000	-	800 000 000
Miscellaneous Liabilities	927 215 000	- 11 459 000	1 003 107 000
Re-discounted bills of exchange payable in Germany	277 501 000	+ 21 301 000	255 701 000

A S S E T S.

Difference as compared with 23 Oct.	7 November	Difference as compared with 31 Oct.	15 November	Difference as compared with 7 Nov.
-	210 000 000	-	210 000 000	-
+ 63 722 000	694 288 000	+ 64 000	694 626 000	+ 338 000
+ 1 392 000	454 255 000	+ 64 000	454 593 000	+ 338 000
+ 62 330 000	240 033 000	-	240 033 000	-
+ 21 240 000	231 429 000	+ 22 000	231 541 000	+ 112 000
+165 953 000	2 327 353 000	- 12 309 000	2 154 800 000	-172 553 000
- 6 120 000	55 444 000	+ 7 000	53 890 000	- 1 554 000
-	85 000	+ 82 000	2 015 000	+ 1 930 000
+ 16 678 000	15 473 000	- 17 970 000	17 080 000	+ 1 607 000
+ 190 000	77 400 000	- 299 000	77 328 000	- 72 000
+ 4 372 000	I 053 523 000	+101 733 000	1 748 000 000	+ 694 477 000

I T I E S

-	90 000 000	-	90 000 000	-
-	210 000 000	-	210 000 000	-
-	900 000	-	900 000	-
+467 809 000	1 721 805 000	- 59 125 000	1 633 171 000	- 88 634 000
277 663 000	826 619 000	+119 891 000	749 539 000	- 79 080 000
-	800 000 000	-	800 000 000	-
+ 75 892 000	1 013 671 000	+ 10 564 000	1 705 670 000	+ 691 999 000
+ 21 800 000	257 900 000	+ 2 199 000	434 400 000	+ 176 500 000

The Return for 15 November 1924 calls for certain observations.

1) The items Miscellaneous Assets and Miscellaneous Liabilities show very considerable increases of 694 477 000 million marks in the case of the Miscellaneous Assets, and 691 999 000 million marks in the case of the Miscellaneous Liabilities.

The Reichsbank indeed, during the second week of November, received most of the foreign currency produced by the Loan. The value of this foreign currency was credited to the Reich by the Reichsbank in a special account at the disposal of the Agent for Reparation Payments, which appears among the Liabilities of the Bank. The value in marks of the foreign currency appears among the Miscellaneous Assets.

2) The Berliner Tageblatt of 22 November 1924 comments on the Return as follows:

> "The general headings "Miscellaneous Liabilities" and "Miscellaneous Assets" are not sufficient to make the position clear to the public. The Special Account of the Agent General for Reparation Payments should appear separately, and should not be included among the Miscellaneous Liabilities. The public has a right to be kept informed of the amount of the Agent General's account. Mr. S.P. Gilbert has recently given proof that he, for his part, is prepared to grant full satisfaction to the public desire for information regarding the financial position. The Agent General recently published a Reparation Budget with a wealth of detail, which leaves nothing to be desired. We think it all the more necessary therefore that the Reichsbank should make an end of its policy of mystification".

From the French
Translated - BWS
Checked - RB.

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From the French
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DOC. 3.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, November 25, 1924.

THE RETURNS OF THE GOLDDISKONTBANK.

The last Returns published by the Golddiskontbank since October 31, 1924 are grouped in the Table below. Former Returns will be found in the collection of Paris Documents of the Information Service of the Reparation Commission.

	Returns on 31.10.1924 (1)	Returns on 7.11.1924 (2)	Difference between (2) & (1)
	£ s. d	£ s. d	
Assets :			
1. Gold reserve	8,000. -. -	8,000. -. -	
2. Foreign banknotes ..	989. 2. 4	1,397,10.10	+
3. Credits payable abroad	646,881.18. 7	848,701. 1. 3	+
4. Drafts and cheques of which at short term	6,715,377. -. 2	6,351,092.15. 1	-
	342,428.14. 6	16,854.19. 5	-
5. Unpaid share capital	3,880,800. -. -	3,880,800. -. -	
6. Miscellaneous assets	54,120.16. 1	53,994. 6. 2	-
	10,604,967.14. 2	10,644,687.13. 4	
Liabilities :			
1. Original capital ...	10,000,000. -. -	10,000,000. -. -	
2. Reserve fund	- -. -	- -. -	
3. Fiduciary circulation	- -. -	- -. -	
4. Liabilities payable at sight	105,689.17. -	42,136. 2. 3	-
5. Miscellaneous liabilities	499,277.17. 2	502,551.11. 1	+
	10,604,967.14. 2	10,644,687.13. 4	
Liabilities arising out of rediscounted bills	5,203,772. 4. 3	5,229,713.15. 4	+

	Returns on 31.10.1924 (1)	Returns on 7.11.1924 (2)	Differences between (2) &(1)	Returns on 15.11.1924 (3)	Differences between (3) & (2)
Assets :	£ s. d	£ s. d	£ s. d	£ s. d	£ s. d.
1. Gold reserve	9,000. -. -	9,000. -. -	- - -	9,000. -. -	- - -
2. Foreign banknotes ..	988. 2. 4	1,397.10.10	+ 409. 8. 6	840.18.11	- 566.11.11
3. Credits payable abroad	544,681.16. 7	848,703. 1. 3	+ 304,021. 4. 8	780,856. 9. 4	- 67,846.11.11
4. Drafts and cheques . of which at short term	6,715,377. -. 2 342,483.14. 8	6,351,092.15. 1 16,854.19. 5	- 364,284. 5. 1 - 325,628.15. 3	6,511,150. 4. - 387,303. 1.10	+ 160,057. 8.11 + 370,448. 2. 5
5. Unpaid share capital	3,280,800. -. -	3,280,800. -. -	- - -	3,280,800. -. -	- - -
6. Miscellaneous assets	54,120.15. 1	53,694. 6. 2	- 426. 8.11	56,842.15. 5	+ 3,148. 9. 3
	10,604,967.14. 2	10,544,687.13. 4		10,639,490. 7. 8	
Liabilities :					
1. Original capital ...	10,000,000. -. -	10,000,000. -. -	- - -	10,000,000. -. -	- - -
2. Reserve fund	- - -	- - -	- - -	- - -	- - -
3. Fiduciary circulation	- - -	- - -	- - -	- - -	- - -
4. Liabilities payable at sight	105,689.17. -	42,136. 2. 3	- 63,553.14. 9	132,765. 1. 8	+ 90,628.19. 5
5. Miscellaneous liabilities	499,277.17. 2	502,551.11. 1	+ 3,273.13.11	506,725. 6. -	+ 4,173.14.11
	10,604,967.14. 2	10,544,687.13. 4		10,639,490. 7. 8	
Liabilities arising out of rediscounted bills	5,209,772. 4. 3	5,228,713.15. 4	+ 18,941.11. 1	4,871,137.13. 3	- 357,576. 2. 1

DOC. 4.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, November 25, 1924.

THE BALANCE SHEET OF THE GOLDDISKONTBANK AS AT NOVEMBER 23, 1924.

The Reichsanzeiger of November 26 publishes the following balance sheet of the Golddiskontbank as at November 23. The comparison between that balance sheet and the one of the previous week is as follows:

ASSETS:	Balance sheet as at Nov. 15, 1924	Balance sheet as at Nov. 23, 1924	Difference
	£ s d	£ s d	£ s d
1. Gold reserve	9,000 - -	9,000 - -	- - -
2. Foreign bank-notes	840 18 11	439 14 10	- 401 4 1
3. Credits payable abroad	780,856 9 4	1,162,177 13 10	+381,321 4 6
4. Drafts & cheques of which at short term	6,511,150 4 0	6,165,862 4 2	-345,287 19 10
	387,303 1 10	1,153,792 9 5	+776,489 7 7
5. Unpaid share capital	3,280,800 - -	3,280,800 - -	- - -
6. Miscellaneous assets	56,842 15 5	56,498 5 5	- 344 10 0
	10,639,490 7 8	10,674,777 18 3	

LIABILITIES:	Balance sheet as at Nov. 15, 1924 £ s d	Balance sheet as at Nov. 23, 1924 £ s d	Difference £ s d
1. Original capital	10,000,000 - -	10,000,000 - -	-
2. Reserve fund	-	-	-
3. Fiduciary circulation	-	-	-
4. Liabilities payable at sight	132,765 1 8	165,517 1 8	+ 32,752 0 0
5. Miscellaneous liabilities	506,725 6 0	509,260 16 7	+ 2,535 10 7
	10,639,490 7 8	10,674,777 18 3	
Liabilities arising out of rediscounted bills	4,871,137 13 3	4,353,035 14 5	-518,101 18 10

The figures of this balance sheet shew a considerable decrease in respect of drafts and cheques, as also in liabilities arising out of rediscounted bills. The liquidations of the transactions of the Golddiskontbank are therefore being carried out normally in accordance with the undertakings made to that effect by the Reichsbankdirektorium.

From French: transl. GL: checked RB.
QW.

Doc. No. 5

TEN-DAY RETURNS OF THE REICHSHAUPTKASSE

The Finance Ministry of the Reich publishes a ten-day statement of the incomings and outgoings of the funds of the Reichshauptkasse. Under the incomings the receipts derived from taxation and administrative receipts are given separately. The outgoings make a distinction between administrative payments, which includes disbursements in execution of the Peace Treaty, transfers to the States and Communes, and payments on Reparation account.

It should be pointed out that these statements do not include the whole amount of the receipts and receipts of the Reich. Only the totals of the transactions of the minor Kassen are given. It follows that the total of the monthly receipts from taxation, arrived at by adding together the receipts of the three ten-day periods in the month, is less than the amount of the receipts from this source, which is published on the 20th of each month in respect of the preceding month. The same difference recurs in the case of the administrative payments, the figure shown by the ten-day statements being less than the true figure by an equivalent amount.

On the 20th of each month a balance is struck in the books, and thus the total of the receipts and payments given for the whole financial year under review is correct, except in so far as the portion of the receipts and payments of the last ten-day periods is concerned. In any case the balance of receipts and payments, whether debit or credit, remains the same.

The receipts and payments of the two first ten-day periods in November are given below, as well as those for the period from 1 April to 20 November.

The amount of the receipts and payments since the beginning of the financial year is represented by exact figures up to 31 October, and as from 1 November by provisional figures which, as has been shown above, are less than the true figures. For the two ten-day periods the difference may be estimated approximately at .75 million marks. The results are as follows:

DECADAL RETURN OF THE CASH TRANSACTIONS OF THE REICHSHAUPTKASSE FROM OCTOBER 21st to 31st 1924.

(Reichsanzeiger No 263 of 6 November 1924)

	11-20 November	1-10 November	From 1 April to 20 November
	in millions of gold marks		
I. RECEIPTS:			
a) General Finance Administration (taxes, customs, duties) deducting expenditure incurred by the Oberfinanzkassen & Finanzkassen	178 645.4	111 967.3	4 276 532.5
b) Miscellaneous administrative receipts	6 458.3	5 564.2	322 306.3
Total receipts	185 103.7	117 531.5	4 598 838.8
II. PAYMENTS:			
a) General Reich Administration including disbursements in execution of Peace Treaty and redemption of gold Treasury bonds	48 964.4	51 939.1	2 508 825.8
b) Taxation quotas of the States and Communes ...	122 927.9	25 000.0	1 588 752.8
c) Special payments on Reparation account	6 526.0	5 831.5	289 207.0
Total payments	178 418.3	82 770.6	4 386 785.6
leaving a surplus of	6 685.0	34 760.9	212 053.2
III. Amount of debt in Reichsmarks, in connection with the issue of Treasury drafts in Reichsmarks:			
Nominal amount on 20 November 1924	85 000 000.-		
Nominal amount on 10 November 1924	85 000 000.-		

The Finance Ministry makes the following comments on these figures:

The ten-day period from 11 to 20 November included eight working days. The total incomings represent daily receipts of 23.1 million gold marks, as opposed to 14.7 during the preceding ten-day period. This increase is attributable to the falling due of sums owing to the Reich during that period. The payments have also increased from 10.3 to 23.3 million gold marks. Transfers to the States and Communes account for two thirds of these payments.

From the French
Translated - GL
Checked - RB

QW.

DOC. 6.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, November 23,1924

THE FINANCE POLICY OF THE REICH.

An Interview with Dr. Luther.

(Kreuzzeitung No. 551 of November 23 1924)

Dr. Luther, the Finance Minister of the Reich, granted the Berlin representative of the Magdeburgische Zeitung an interview on the financial policy of the Government of the Reich, at which he expressed in reply to questions the following views.

Question. As you know, Herr Minister, the financial measures of the Government of the Reich are very variously judged. Many declared them to be entirely inadequate, while others think they are designed to catch votes at the election. Abroad it is even said that it is now clear that the financial distress of the German Reich has been merely a pretence. The same differences of opinion exist with regard to the other measures announced by the Cabinet of the Reich in their dedaration of November 6 1924, for the relief of public distress. But whatever point of view is adopted, in any case the impression is given that the Government, and more particularly you yourself, are contemplating a change of policy.

Answer. Of course we are ! A conscious and deliberate change of policy ! Or would you have me sit by and allow the excessive taxation, which I have always described as only bearable

for a short time, to continue? Politically and economically we have reached a turning point, where we must alter our course, if we are to remain on the lines.

Question. That means, Herr Minister, that you will give up the policy of revenue at all costs (Fiskalismus), which has been yours in the past?

Answer. Revenue at all costs? Others accuse me of one-sided concentration on economic interests. The truth is that, until we had the new gold-based currency, I devoted all my time and attention to the support of the highly unstable provisional money. Even now the currency question must not for a moment be left out of sight: I think one spell of inflation was enough for all of us! But we must also remember the great changes which have taken place. For one thing, we no longer pay the Occupation costs out of the Budget funds, and we no longer have to help finance the Micum contracts, as we did all last summer. In theory, it is true, this has been the case since September 1 1924; but in practice it has been so only since the receipt, during the last few days, of the proceeds from the Dawes Loan, Up till then the Reich had to make advances on the Loan.

Question. But payments on reparation account out of the Budget will soon begin again?

Answer. That is so. The first payments begin on September 1 1925. They are to be made out of the proceeds of the Transport Tax. We have to look to the future increases in the

charges on the Budget, and shape our financial policy accordingly. In the meanwhile, we must use the respite given us, to create as sound economic foundations at home as possible. It is here that I find the foreign objections to reduction of German taxation quite incomprehensible. The whole object of the so-called moratorium of the Experts' Plan was the recovery of our economic conditions.

Question. I am afraid that the measures hitherto taken are not sufficient for the effective recovery of economic conditions.

Answer. The State alone cannot bring about such a recovery. But let me say that the Reich would have done much more, and the position would quite certainly be a great deal clearer to-day, if the dissolution of the Reichstag had not come at the very moment when the conclusion of the Dawes Loan brought us to the turning point of which I have spoken. What the Government could do, it has done, even if it had to have recourse to that unpopular Article 48 of the Constitution of the Reich.(1) As soon as the turning point appeared on the horizon, that is to say, as soon as the Reichstag had passed the London Laws, the Turnover Tax was at once reduced by ½ per cent(2); while at the same time, with a view to the

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Notes:

(1) Article 48 of the Constitution, under which many of the financial measures of the late Government were enforced, gives the President of the Reich emergency powers to take steps "for the restoration of public security and order, when these are seriously disturbed or endangered."

(2) The Turnover Tax was reduced by the Decree of September 14 1924 from 2½% to 2 per cent, and by the Decree of November 10 1924 from 2 per cent to 1½ per cent.

relief of public distress, a proposal was laid before the Committee of the Reichstag, which deals with such matters, to offer annuity certificates, in exchange for their stock, to really distressed individual holders of War Loan. If this proposal had been passed, which it unfortunately was not, these small War Loan subscribers would have received an annuity, with full legal title, to the amount of 2 per cent of their nominal capital; that is to say, they would have been drawing interest at 2 per cent; and many cases of distress would thus have been alleviated.

Question. Since the dissolution of the Reichstag the Government of the Reich has taken a second step in the matter of taxation, by again cutting down the Turnover Tax by ½ per cent, and by reducing the Tax on Wages and the anticipatory payments in respect of Income Tax. May we, Herr Minister, conclude that you propose, or are in favour of, a further step in the matter of "writing up"?

Answer. In the matter of taxation the Reichstag will still have much to do. I particularly hope that a third reduction of the Turnover Tax may be possible in the near future. As for "writing up", it is a mistake to treat this question, as the public often does, as a question standing alone. It is only a part of the big question, how far partial compensation to the victims of the war and of the inflation is possible beyond the present limits. Any answer to this question must, even after the turning point to which I have referred, be based on the most careful consideration of what burdens our economic life is in a position to bear. It is

our economic life in the widest sense of the word, in which every working German has his part to play, that will have to make good every promise that is made to the victims of the war and of the inflation. The great decision, what sums can be made available for this purpose, will fall to be made (after the delay unfortunately caused by the dissolution of the Reichstag) by the future Government of the Reich and by the future Reichstag: and the whole future of the German nation will depend on the justice of their decision.

From the German: Translated - BWS. Checked - RB.

DOC. 7.

TRANSFER COMMITTEE
ECONOMIC SERVICE

BERLIN, November 25,1924.

PUBLIC OPINION AND THE 26 PER CENT TAX ON GERMAN EXPORTS.

(Recovery Act)

I. The 26 per cent tax and the Franco-German commercial negotiations.

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PUBLIC OPINION AND THE 26 PER CENT TAX ON GERMAN EXPORTS.

I.

The 26 per cent tax and Franco-German commercial negotiations.

The 26 per cent tax on German exports, which had lain dormant for many years, was revived again when the French Government by a decree of September 18, 1924, decided to join others in levying a tax of 26 per cent on German exports into France. The fact that that decision was taken on the eve of the negotiations for a commercial treaty between France and Germany has given rise to a lively controversy in the press of the two countries.

Put briefly the substance of the German contention was as follows. By issuing, at a time when the Experts' Plan was entering into realisation, a decree enacting a levy on German exports, the French Government created a new fact, which was incompatible with the Reparation Plan and the London Agreements, particularly from the point of view that a levy on German exports cannot be reconciled with the settlement of the transfer question. The German Press also put forward the argument that the 26 per cent tax involves considerable difficulties to the German exporters, and that in consequence it was very undesirable that its use should be extended. The thesis of the French Press was as follows. The 26 per cent tax has been existent in England some years, and has never given rise to the slightest protest from German sources. In view of the fact that the tax is essentially a method of payment for deliveries in kind, it can not be in

contradiction either with the terms of the Experts' Report or of the London Agreements. Further than that, the 26 per cent tax has the advantage of being one of the most practical methods of carrying out transfers from Germany to France.

Lastly the French papers repeated that as the 26 per cent tax devolved directly from the Treaty of Versailles, it was of a political nature and could therefore have no connection with the commercial treaty. "If the German method prevailed" wrote the Matin on November 15, 1924, according to a Havas telegram from London, "it would be possible to imagine other clauses of the Treaty of Versailles being called in question in connection with commercial negotiations." In the same article the Matin stated that that view was also shared by the British Government.

II.
The letter from the Agent General of November 14th.

It was at this stage that the Matin, in the same number (November 15, 1924), published the first notice of the letter of the Agent General for Reparation Payments to Dr. Luther, the Finance Minister. The notice was couched in the following terms:

ACCORDING TO THE AGENT GENERAL FOR REPARATION PAYMENTS THE LEVY IS IN CONTRADICTION OF THE DAWES PLAN -

Berlin, November 14th.

A rumour is current this evening that Herr Luther Finance Minister, has received a letter from the Agent General in which the latter expresses his concurrence with the German point of view on the question of the 26 per cent tax levied on German exports to France and Great Britain.

The Agent General is reported to have said that the levy of this tax was not in conformity with the spirit of the Dawes Plan.

This first notice was reproduced more or less in the same terms in the Paris papers in the early part of the afternoon. It was only however on the following day that the Press published the most numerous comments, together with the actual text of the letter from the Agent General for Reparation Payments. As a reminder and for facility in documentation the letter from the Agent General is reproduced, and is followed by an analysis of the views of the English, French and German Press on the subject.

III.
Text of the letter.

Herrn Reichsfinanzminister Dr LUTHER
Reichsfinanzministerium,
Berlin.

Sir,

In conformity with the provisions of the Experts' Plan, to the effect that the use and withdrawal of moneys to the credit of the Annuity shall be controlled and regulated by the Agent General and the Transfer Committee, I have the honour to inform you that the Agent General for Reparation Payments will not credit the German Government on account of the Annuity with any sums it may pay to exporters in reimbursement of deductions made from their invoices on and after December 1, 1924, because of any Reparation Recovery Acts.

Any sums that may be required for the foregoing purpose will be paid only by the Agent General for Reparation Payments if and to the extent authorised by the Transfer Committee.

The Transfer Committee at its meeting on October 31, 1924, authorised the Agent General to make payments under the Reparation

Recovery Acts until further action by the Committee.

Respectfully,

S. PARKER GILBERT
Agent General for Reparation Payments.

IV.
Comments of the French Press.

The comments of the majority of the French press seem to be conscious of the tendencious terms of the first notice on the subject of the letter of the Agent General published by the Matin on November 15, 1924, in which the letter was represented as a condemnation of the 26 per cent tax. The Quotidien of November 16, 1924, for example, referred to the letter from Mr S.P. Gilbert as follows:

" We have referred to the opposition made by Germany to the maintenance of the levy of 26 per cent on German imports, a levy which ismade by Great Britain (Recovery Act) and France under the London Agreements of 1921. The argument of Berlin is that any such action is contrary both in the letter and in the spirit to the Dawes Plan. A new fact has however arisen. The Agent General for Reparation Payments, Mr Parker Gilbert, has indicated that he approves the German point of view. In a letter addressed to the Finance Minister of the Reich, Herr Luther, Mr Gilbert stated that as from December 1st, he would not include in the Reparation account any sums accruing from the 26 per cent tax. That is equivalent to saying, in agreement with Germany, that the levy is not authorised by the Dawes Plan."

On the next day, however, information received from Berlin led to modifications in the attitude of the French Press. L'Oeuvre published an article on November 17, 1924, explaining in detail to the public what the Recovery Act was, and stating:

"It is on the contrary in the execution of the Dawes Plan that Mr Parker Gilbert finds the justification for what he has written! The Dawes Plan specifically provides that the annuities of the German debt, which are fixed by it, represent a maximum which must in no event be exceeded. The 26 per cent tax is a means of receiving Reparations authorised by the Dawes Plan; but it can by no possible means exist outside that Plan, and represents a burden additional to those laid down for Germany in the Plan. There is no reason therefore to be surprised at Mr Parker Gilbert wanting to take the accounting aspect of the question in his own hands, and wishing to repay German exporters from the Reparation chests.

If the British Treasury, which has beendrawing 12 million gold marks per month from this source, is concerned at such a very natural statement of the position, the reason lies in the fact that it had announced its intention of keeping for its sole use the proceeds of the Recovery Act, even if such proceeds exceeded the Reparation percentage assigned to it under the Spa distribution. The French Government on the other hand, has never had any such pretention. The 26 per cent tax is merely in its view a convenient method of receiving Reparations and of effecting

transfers: but it is a method inherent in the Dawes Plan, and in no sense an extension of it."

The Daily Bulletin of the Société d'Etudes d'Informations Economiques, the organ of French big industry, tried in its issue of November 18 1924, to ascertain exactly the attitude which the Agent General for Reparation Payments had taken up.

" It would be dangerous to pretend that the point of view upheld by Mr. Parker Gilbert does not coincide in more than one respect with the German contention. What does the Agent General say in reply to an official request addressed to him on November 17 by the Government of the Reich? His duty, in his view, consists in collecting moneys and carrying out payments. The receipts do not exceed the limits laid down by the Dawes Plan and the payments do not exceed the limits laid down by the Dawes Plan which is the sovereign judge in the matter. He states therefore that he himself, and not the German Government, will repay the 26 per cent. He is the central Reparation cashier. He does not intend that any operations consisting in the levying of funds should take place without his knowledge; and he does not admit of either the Allies or the German Government confronting him with an accomplished fact, and claiming more than he has the power to pay out. By its decision of October 31 the Transfer Committee authorised him to make payments until further notice. Germany is notified by him of this state of affairs. The next meeting of the Transfer Committee is to take place on November 28. It will take any decision which requires to be taken.

The contention upheld by Mr. Parker Gilbert is undoubtedly in accordance with the spirit and the letter of the Dawes Plan.

Though the Recovery Act comes within the framework of the Dawes Plan, sight must not be lost of the fact that at a given moment the putting into application of the Recovery Act may indirectly be suspended.

While it would not be true to say that the German contention is well founded, it is as well to admit that, within certain limits and from certain points of view, it emerges very much stronger than certain French papers have given reason to suppose. In point of fact, at least in so far as the current financial year is concerned, the levy of 26 per cent is subject to the decision which the Transfer Committee will take in that connection on November 28th."

The principal organs of news confine themselves to publishing telegrams from Berlin, and the Temps of November 17 explained as follows the misunderstanding to which the letter from the Agent General had given rise:

" This decision of the Transfer Committee and the communication from the Agent General for Reparation Payments seem to have been misunderstood, not only in Germany, but also in France and Great Britain. It has even been said that Mr. Gilbert adopted the German contention against the levy of 26 per cent." The Wolff Agency published the following comments on the letter from the Agent General:

" There is no justification whatever in any part of the Treaty of Versailles for the 26 per cent levy. It is solely the result of the Schedule of Payments of 1921. There is no question therefore with regard to the 26 per cent levy of any political step, but of a financial step which is in contradiction to the terms of the Experts' Plan."

In official circles in London it is considered that the letter from Mr. Gilbert was obscure, and any opinion as to the construction to be put upon it is reserved, until more precise information is available.

" In reality the decision of the Transfer Committee, which Mr. Gilbert transmitted to the Government of the Reich, is merely a reiteration of the absolute right, which the Dawes Plan confers on the Transfer Committee and the Agent General, to control all the income and expenditure which figure in the account of the Dawes annuities. But the proceeds of the 26 per cent levy can be charged to the annuity, as in the Dawes Plan it is laid down, that the annuity is required to meet any payments of whatever kind placed to the charge of Germany under the Treaty."

V. Comments of the English Press.

The letter from the Agent General for Reparation Payments caused a considerable stir, not only in the French Press, but also in the English Press. The Daily Telegraph of November 17 1924, purporting to give the views of the Foreign Office, stated that the letter

from Mr. S.P. Gilbert was causing an altogether unjustified stir, and that it was in conformity with the conclusions of the Experts and the London Agreement, whereas the other Conservative organs had some diffifulty in appreciating these explanations.

The Times for example, without attempting to deny that this contention was based on good ground, laid particular stress on the political nature of the move made by the German negotiators, and on the pressure that had been brought to bear on the Cabinet in Berlin by the financial press and by economic circles.

The Daily Mail in particular maintained that the decision of Mr. S.P. Gilbert placed the British and French Governments in a false situation, and insistently called for an explanation of the explanations given by the Agent General.

The Daily Mail Article was to the following effect:

" Behind the letter from Mr. Gilbert is evident a fresh effort on the part of Germany to escape from the obligations which devolve on her under the Treaty of Versailles.....We should do well in maintaining the Reparation Recovery Act, and we have a perfect right to do so. According to the report from the Customs Administration it brought us in last year £8 138 000. During the present year it is bringing in approximately £900 000 per month. That is not a vast sum, but as Germany clearly has no intention of paying the slightest sum in reparations of her own free will, unless she

obtains some advantage by so doing, we should do well to continue each year to collect at least these ten million pounds."

The Liberal Press on its side, took advantage of this incident in order to condemn once again any policy designed to put obstacles in the way of Free Trade, and any policy of isolated action towards Germany.

The Westminster Gazette did not disguise the fact that in its view the Note from Mr. Parker Gilbert was likely to support the contention of the German negotiators, who are asking in Paris for the suppression of the 26 per cent tax.

" The decision of Mr. Parker Gilbert would mean", so the article ran, "that if France and Great Britain continue as at present to collect 26 per cent of the value of goods exported to them by Germany, German exporters would never know how far they would obtain repayment for that tax.

Any effort to do business with Great Britain or France would therefore be in the nature of pure speculation for the German trader, who would have no certainty of obtaining large profits in compensation for his exceptional risks.

The Germans would thus be obliged by this uncertain state of affairs to lay more stress than ever on the necessity for the abolition of the 26 per cent tax, which they would make a condition sine qua non for the conclusion of commercial agreements between England and France."

The Manchester Guardian in its leading article of November 18 1924 put the question on an even higher plane, and stated that the attitude of Mr. Parker Gilbert had dealt a fatal blow not only to Protection but also to any policy of isolated action with regard to Germany.

" The Governments can continue to make a levy on German goods if they wish," runs the article, "but unless the Transfer Committee decides to reimburse the German exporters, the levies will become indistinguishable from ordinary import duties, and will lose all value as a means of collecting reparations.....This seems a fairly simple and indeed inevitable consequence of the Experts' plans. But it does not seem to be fully understood in any of the three countries concerned. German opposition to the levy was comprehensible, when it meant an addition to the payments that would otherwisehave been made. It becomes barely intelligible, now that the payments are determined in advance.....The levy has been by no means unprofitable to the British Exchequer. During September and October it produced no less than 1½ million pounds. Theoretically, all reparation receipts should be pooled and divided among the Allies according to the agreed percentages. Actually each Ally has retained what it has secured by its own efforts. Until the Experts' Plan put the matter on a business footing, we had therefore a strong motive in retaining the levy. But that motive

seems to have gone. It is unlikely, now that the Transfer Committee has taken on the job of determining how the payments should be made, that individual creditors will be allowed to increase their share by acting on different methods of their own. It was, in fact, precisely to avoid this danger that the Transfer Committee was set up. But if the levy ceases to be of any special advantage to us, it does not cease to have its special disadvantages. One certainly hears fewer complaints nowadays on delay and obstruction in its working. Large importers have doubtless got accustomed to the formalities. But it certainly causes friction still in the case of special and odd consignments, and for all who are not masters of the methods of the customs house. It is doubtful whether there is sufficient reason now for retaining a piece of machinery which no longer gives us special advantages, which creates uncertainty, which may become a high protectionist duty, and which, in any event, complicates rather than simplifies the general problem of effecting transfers of wealth out of Germany.

France's idea, in imposing the levy, was different from ours, as is shown by the fact that she never put it on until the Experts' plan had been accepted. It has not produced more than a negligible amount of cash for her, and it was not meant to. It was meant as something to bargain with, in the negotiations for a commercial agreement

with Germany: and it was used with such effect that the negotiations nearly fell through. Now that the Agent General has turned the edge of the weapon, since it really does not matter to Germany whether her annual payments are collected in this particular way or by some other method approved by the Transfer Committee, negotiations may be resumed with a better chance of success. Of course if the French really mean to maintain an additional duty of 26 per cent on German goods, that is another matter. It has nothing to do with reparations, and the German Government, which has quite as good commercial cards to play as the French, will be able to deal with it. The broad result of the whole incident is a useful reminder that the problem of collecting and transferring reparation payments has now been taken out of the hands of Governments, and put into those of international experts. It is true that the Governments have still the privilege of disputing among themselves about the division of the proceeds. We shall doubtless hear more about that later. But the time has gone by for increasing our share of the proceeds by setting up special collecting agencies of our own. That power has gone. We cannot do it by means of levies on German goods any more than the French can do it by marching into Essen. It was never a pretty game, and it is a good thing that it has come to an end. But one wonders if all the Governments concerned quite realise that it has come to an end."

VI. The first comments in the German Press.

The German Press on its side did not fail to comment on the letter from the Agent General for Reparation Payments. In Germany, as in France, the first comment showed considerable divergences of interpretation.

The Börsen Courier of November 15 wrote:

" The Agent General regulates German exports. Mr. Gilbert in his letter states that the Agent General alone can effect the repayment of the tax levied on exports. Thus, German exports are practically handed over to the goodwill of the Transfer Committee. Once the tax is not repaid, German exports are excluded from the world's market. Under that threat, German economic life can neither recover nor gather together the strength which it requires to support the burdens of the Dawes Plan."

The Vorwaerts, on the other hand, stated from an authoritative source that the letter to the Finance Minister must not be taken as a reply to the protest made by Germany against the collection of the tax. The decision was merely a technical decision to settle the accounting aspects of the tax. Hitherto the repayment was controlled only by the German Government; and the Agent General considers that, in view of the extent of these transactions, he also should have some control. There is no change with regard to the indemnification of the German exporters. Instead of being directly repaid by the Reich, they will be indirectly repaid through the Agent General.

The German press of that evening, while repeating the various constructions which had appeared in the French and British press on the letter from the Agent General for Reparation Payments, continued at the same time to make comments upon it. Whereas the majority of the Press stated from this time on that the letter from the Agent General was not of a kind to have any important effect on the present situation, and that it was merely an accounting measure, the Telegraphen Union, the organ of big industry, tried to see in it an attack against the Recovery Act in France and in England.

" The step taken by Mr. S.P. Gilbert is likely to have considerable influence on the commercial negotiations now taking place, and on the authority of the Dawes Plan. The letter from the Agent General is considered to be a first step taken against the illicit contribution which German exporters are required to make. It is certain that the step taken by Mr. Gilbert will help to smooth over the difficulties which lie in the way of the execution of the Dawes Plan. The importance of the Agent General's action lies in the fact that it confirms his sovereign right in one of his most important functions. The letter from the Agent General contests the right to levy a tax of 26 per cent on German exports."

The Telegraphen Union stated that it had obtained these views from a well informed American source.

VII.
The communiqué from the Agent General of 16 November.

On 16 November, however the office of the Agent General for Reparation Payments published a press communiqué explaining the meaning of the Agent General's letter of 14 November.

" It was officially stated this afternoon, contrary to reports in the press, that the Agent General's letter of November 14 1924 to the German Minister of Finance is not an attack on the Reparation Recovery Acts. The letter speaks for itself. It is a notice to the German Government that, in conformity with the terms of the Dawes Plan, the Agent General will collect the full annuity irrespective of any Recovery Acts, and will pay to the German Government the amounts paid by it under the Acts only if and to the extent authorised by the Transfer Committee. The Transfer Committee on October 31, gave the Agent General authority to continue the payments until further action by the Committee.

The notice given to the German Government in the letter of the 14th November, is thus a step taken in order to assure to the Transfer Committee the jurisdiction entrusted to it under the Dawes Plan."

VIII.
Latest comments in the French press.

On the publication of this communiqué, the French press in general considered that the question of the 26 per cent had at last found its true sphere, the sphere of "transfers". The levy of 26 per cent is a transfer. To the extent to which that transfer might

have the contingent effects of endangering the stabilisation of the Mark, the decisions come within the purview of the Agent General for Reparation Payments and the Transfer Committee. This was humorously stated by "Diplomate" (1) in the Paris Midi of 20 November 1924.

" The Germans thought at first that the Agent General for Reparation Payments, who acts as a kind of Pope where reparations are concerned, was condemning the system of 26 per cent in a papal Bull as being contrary to orthodoxy - by which the spirit of the Dawes Plan is meant. The English on the other hand thought that Mr. Parker implicitly gave his blessing to the system of 26 per cent, since he undertook to settle the repayments. The excellent Mr. Parker, lighting his own lantern, has since explained that he never meant either to approve or condemn that method of payment rather than another. This powerful person is as far removed from politics as from astronomy or the game of Mah Jong. He sits on a throne studded with paragraphs, and only desires to carry out to their full extent the powers which devolve upon him.

He thought in the first instance that if the English, as was within their rights, continued to levy 26 per cent on German exports, it might happen, if Germany becomes prosperous again and developed exports on an extensive scale, that England would reap thereby sums in excess of her reparation share. For the moment the danger is

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(1) The article by "Diplomate" is at present being written by Marcel Ray.

purely theoretical: but Mr. Parker was anxious to lay down his right to say 'Stop'.

Mr. Parker thought however in particular that the levy of 26 per cent, which is made in pounds sterling on British soil, was a transfer of German marks to England in disguise. He meant to reserve to the Transfer Committee its right of control, in this particular case as well as in other cases. It is therefore he, Parker, who will repay the 26 per cent to the German Government, just so long as he is authorised by the Transfer Committee so to do, but not a moment longer.

In other words, Mr. Parker will control the levy both in England and in France, and reserves to himself the right of suspending its effect the moment that he considers that it involves a menace to German exchange. He merely wished to give a warning that the tap, from which the 26 per cent flows, does not enjoy a special privilege, and is within the reach of his all powerful arm."

The Journal on November 20 1924 stated, on the return of the German negotiators from Paris, that the question of the 26 per cent levy has suddenly passed out of the acute stage, and that Berlin political circles had decided not to demand the suppression of the Recovery Act from France in connection with the commercial negotiations.

The Petit Parisien on November 21 1924 summed up as follows the French and German contentions on the 26 per cent insofar as that question affects the commercial relations between the two countries:

" The representative of the Reich explained the difficulty which his Government would meet in obtaining the ratification by the Reichstag of a commercial modus vivendi without the preliminary suppression of the 26 per cent on German exports. He added however that, in order not to put any further obstacles in the way of the commercial negotiations, from which the two countries might reap the greatest advantage, the German Government had decided to show their responsibility in the question of the 26 per cent and that, without prejudice to the decision which the Reichstag might take, it would undertake not to raise the question again during the present negotiations.

It does however appear from the statements of the Ambassador that Berlin desires to keep the right of reverting to the question at a later stage.

The answer to Herr von Hoesch in this connection was that the question of the 26 per cent (as the French Government had maintained since the beginning of the negotiations) could in no way figure as a condition in any commercial agreement, but that the Reich, if it thought desirable, remained at liberty in the future to submit the matter to the Arbitration tribunals provided for in the London Protocol."

Though the question of the 26 per cent is thus separated from the Franco-German commercial negotiations, it may, in the view of the Journal of November 21 1924 be raised in another connection:

" The question of the 26 per cent is closely bound up with the execution of the Dawes Plan. The Agent General for

American payments (sic), Mr. Parker Gilbert, placed it in its proper sphere, when he referred it to the Transfer Committee. Germany must thus appeal to this Committee, if she persists in her desire to see the 26 per cent tax suppressed.

" Does that mean that future commercial relations have ceased to preoccupy Germany's mind? Not at all. Germany merely admits that commercial Treaties must be negotiated apart from any consideration of the 26 per cent tax. On the other hand, Germany formally reserves the free decision of the Reichstag. The German Assembly can, as it thinks fit, either accept or refuse the ratification of the Treaties laid before it.

" The question is therefore not settled but merely translated to another sphere.

S.B."

IX. The latest comments in the German Press.

Though the communiqué of November 16, published by the office of the Agent General for Reparation Payments, brought to an end the comments which appeared in the English and French press on the question of the levy of 26 per cent, it was responsible for a recrudescence of angry comments in the German press, which now concentrated on the economic character of the 26 per cent tax. The Zeit of November 18, the organ of Herr Stresemann, wrote that the note from Mr. Parker Gilbert did not represent the final attitude of the Agent General towards the 26 per cent

tax. In accordance with the official interpretation of the letter of November 14, the 26 per cent tax fell under the attributes of the Transfer Committee. The final attitude of the Agent General will shortly be known, as the German Government has requested his decision in connection with the tax.

The Vossische Zeitung pointed out that, if trade became active, the sums levied by the importing countries were likely to exceed the amount laid down in the Dawes Plan. In order to meet that danger, the Agent General for Reparation Payments is contriving the possibility of taking such action as he may deem advisable.

The Börsen Courier saw in the explanatory note published by the Agent General a formal contradiction of the interpretation of the letter of November 14, which the Telegraphen Union stated that it had obtained from a well informed American source. The action taken by Mr. S.P. Gilbert was not therefore an attack against the Recovery Act. The turn which this question has taken puts German exporters into an uncertain position. The business men of the Reich do not in fact know if and when they will obtain the repayment of the 26 per cent.

" It is to be hoped", wrote the Börsen Courier, "that the Transfer Committee will authorise the Agent General to carry on the reimbursement of the tax after December 1. If the total annuity provided for in the Dawes Plan is made up irrespective of the 26 per cent tax, there

will be an excess in German deliveries, which could not be justified, and which would render useless the moratorium desired for Germany under the Dawes Plan."

The Börsen Courier appealed to the Government of the Reich to raise the question of the legality of the tax, and to appeal if necessary to the decision of an Arbitral Committee.

The Vorwärts considered that it was necessary that an official interpretation should be given to the letter of November 14. An end must be made of the misunderstandings to which this document had given rise. The British Recovery Act was specifically confirmed in the Dawes Plan. The 26 per cent tax set up in France was not, according to the German contention, provided for in that memorandum. It would be premature, to say the least, to conclude from the action taken by the Agent General that he condemned the tax levied by France and Belgium.

The German League for Foreign Commerce communicated to the Press on November 19 a note which explained its attitude towards the letter from the Agent General to the Finance Minister of the Reich. The League noted that the Transfer Committee reserved to itself the right no longer to credit the Reparation Account with the sums reimbursed in respect of the 26 per cent tax, and consequently to throw this burden once more upon the German Government. If the reimbursement of the tax were interrupted, the Finance Minister of the Reich would find himself in a difficult position. On the other hand, circles concerned with German external commerce consider that

the Agent General's letter constituted a factor of insecurity in Germany's commercial relations with France and England. According to Mr. S.P. Gilbert's letter the reimbursement of the tax was not assured definitively, but only until December 1, and until the Transfer Committee decided otherwise. The German League for foreign commerce concluded by saying that the suppression of the Recovery Act must be energetically demanded.

The Vossische Zeitung of November 21 published an interesting statement attributed to an Englishman of some importance, who regarded the maintenance of the Recovery Act as the first manifestation of an independent British policy on the Reparation question. During the London Conference, the attributions of the Transfer Committee were not determined in a manner which competent British circles regarded as satisfactory. Although the Transfer Committee could settle questions of accountancy, and comply with the instructions of the Agent General in that respect, each country had the right to take its own line in the general arrangements for obtaining reparations. The Vossische Zeitung concluded from those statements that Great Britain was maintaining the 26 per cent tax, not in order to bring pressure to bear upon Germany, but in order to induce the Allies to give more consideration to the British point of view on interallied debts, the evacuation of the Ruhr, the distribution of German payments, etc.

When on November 22 Germany heard of the statements made by Herr von Hoesch that the Government of the Reich

renounced the right to raise the question of the 26 per cent tax during the Franco-German negotiations, the majority of the papers of the Right (Zeit, Lokal Anzeiger) reproached the Government with having allowed this question to take a secondary place.

In the Deutsche Bergwerks Zeitung of November 23, Herr Rechberg considered the bearing of the letter from the Agent General. His point was that it followed from the letter that the German exporter would not be indemnified in respect of the levy of the tax upon German exports (a) if there were no funds in the Reparation coffers, and (b) if the levying of the tax by any one country resulted in a sum larger than its share in the annuities. The 26 per cent tax and the possibility of the suspension of its repayment, prevented any development of German exports towards those countries which levied the tax.

As Great Britain was trying to conquer German competition, and as success in this design was more to her interest than the normal application of the Dawes Plan, German industry must try to find means of unloosing the cord which might strangle her. It could try and export through firms domiciled in neutral countries; that method however would involve an increase in German prices harmful to competition. German industry might also go into partnership with foreign firms, which would export in its name. In that event, Great Britain would take defensive measures. Herr Rechberg concluded that German industry was more than ever under the imperative necessity of arriving at an agreement with French industry.

On the same day the Deutsche Allgemeine Zeitung devoted a long article to the question of the 26 per cent. The question of the settlement of the 26 per cent tax represented one of the many obscurities or contradictions contained in the Experts' Report. The Dawes Committee included a tax on exports in Deliveries in Kind, as opposed to the second Committee of Experts which included it under payments in cash. The Deutsche Allgemeine Zeitung stated that the second theory was the only correct one. The recognition of the Recovery Act in the Dawes Plan was in contradiction to the principle of transfer, which was an operation dependent on the currency situation and the balance of payments. The German point of view originally was that the collection of the tax was useless, so long as the Agent General was in a position of being able to buy foreign currency and pay Great Britain her due share of reparations. Imitation by other countries of the example set by Great Britain had substantially damaged the situation of the Reich and endangered the Experts' Plan.

" For the Allies, the tax is not only a means of obtaining payment in cash, but also an effective weapon in the struggle for booty. The collection of the tax by the various countries is taking place without consideration for the system of distribution of German payments amongst the Allies."

The Deutsche Allgemeine Zeitung explained the scope of the 26 per cent tax from the commercial point of view. The German Government could base a claim on the Experts'

Report to obtain the suspension of the tax, which involved considerable difficulties for the external commerce of the Reich. The organ of big industry recalled the efforts made by the German Government to obtain the suppression of the tax on German exports. The letter from the Agent General made clear the impossible situation which might arise, and which would involve a total cessation of exports towards France and Great Britain, if the repayment of the tax were to be suspended. The Transfer Committee, which was to meet at the end of November would no doubt take far reaching decisions in connection with the 26 per cent tax.

On November 24 the German press announced that the Minister of Finance, Herr Luther, had replied to the letter from the Agent General for Reparation Payments. The papers did not publish the text of the reply, but gave its main details from an official source. On the question of principle, Herr Luther shared the view of the Agent General, but attached importance to the interests of Germany's external commerce being respected. The German exporter required to know the sum which the levy on his invoices would reach; he required to be assured that he would collect the total value of the commodities exported. It would be necessary therefore during the application of the Recovery Act, that the amounts collected under the 26 per cent tax should be repaid to him from the sums at the disposal of the Agent General, or, if the Transfer Committee suspended such repayment, by the States which levied the tax. It was stated in this official note that the Government had already explained in detail to the Agent General its view on the question of principle

in connection with the levy of the 26 per cent tax.

In this connection the Telegraphen Union, the organ of the big industrialists, resumed from an authoritative source the German views on the Recovery Act. According to the spirit of the London Agreement, France and the other creditors of the Reich, with the exception of Great Britain, only had the right to levy the export tax during a period of transition. The legal position in regard to the collection of the tax by France must be settled by the Agent General. The German Government had announced to the French Government that it would arrange to make the collection of the tax, until a decision was taken by the Agent General. The situation was different with Great Britain, which had the right to exercise the Recovery Act; but, if it exercised its right, the levy would have serious effects on German exports. It might be hoped that the Agent General, who in his letter of November 14 claimed the exclusive right of dealing with the repayment of the tax, was fully aware of the scope of possible extensions of the Recovery Act. The uneasiness which prevailed in economic circles would be completely justified in the event of the Agent General finding it impossible to repay taxes which had been collected.

Finally, a suggestion made by the Berliner Tageblatt on November 24 may be quoted. The article in question raised anew the problem of the 26 per cent tax, but this time in connection with the Anglo-German commercial negotiations. The suggestion was that the tax should be calculated by means of a

lump sum arrived at on the basis of the monthly commercial statistics of the importing countries, and paid direct to those countries by the Agent General. By that means it would be possible to avoid the interposition of any complicated bureaucratic machinery between the Agent General, holding the money, and the State for whose benefit it was destined.

From the French: translated GL: checked RB.

Doc. No. 8.

PROPOSALS FOR REDUCTION OF TAXES IN THE STATES AND COMMUNES.

Press notices report that, like the Reich, the Governments of certain German States have proposed to their Legislatures the reduction of certain of their own taxes.

In Prussia the Finance Minister contemplates a reduction of 25 per cent in the Tax on Small Manufacturing Concerns (Gewerbesteuer) (Berliner Börsen Courier No.547).

In Bavaria, pending agreement on proposals for the reduction of taxes, the Budget Commission and the Finance Minister have resolved to grant loans to agriculture without interest to a total of G.M. 5 000 000.

In Saxony the Reichsminister is presenting to the Diet a bill reducing by half the payments to be made as from 15 December on the Employers' Tax (Arbeitgeberagabe), together with those due as from 15 January on the Land Tax. It is said that reductions will also be made in other taxes such as the TRents Tax (Mietzinssteuer) (Kreuz Zeitung No.551).

In Baden, the Finance Minister has decided that the payments on the Land Tax and on the Tax on Small Manufacturing Concerns, are to be reduced by half as from 15 February 1925 (Frankfurter Zeitung No. 868).

Similar proposals have been made in the minor States, such as the Free City of Hamburg, in the case of the Tax on Small Manufacturing Concerns (Frankfurter Zeitung No. 868), Wurtemburg, etc.

The tendency to reduce taxes is equally evident in the Towns. The Magistrat of the City of Berlin has proposed to the Municipal Assembly reductions in the taxes in amusements (Cinemas, circuses, etc.).

All these proposals, now awaiting the vote of the legislative bodies of the States or Communes, appear to show the satisfactory condition of local finances.

The majority of these notices in the Press add that a new "Finanzausgleich" between the Reich and the States, and in the second instance between the States and the Communes, will be brought up before the new Reichstag, which is to be elected in December next.

From the French
Translated - RB
Checked - RB.

DR.

DOC. 9.

TRANSFER COMMITTEE

ECONOMIC SERVICE

Berlin, November 25, 1924.

THE RETURNS OF THE REICHSBANK AS ON 22 NOVEMBER 1924.

The following is the comparison between the balance of the Reichsbank as on 22 November 1924 and the balance as on 15 November:

Assets:

	15 November	22 November		Difference
1. Unissued shares of the Reichsbank	210 000 000	210 000 000		
2. Gold reserve (bullion and bars)	694 626 000	694 834 000	+	208 000
Reserve	454 593 000	454 801 000	+	208 000
On deposit abroad	240 033 000	240 033 000		-
3. Currencies which could be used as cover	231 541 000	231 611 000	+	70 000
4. Other bills of exchange and cheques	2 154 800 000	2 171 151 000	+	16 351 000
5. Small German coins	53 890 000	53 467 000	-	423 000
6. Notes of other banks	2 015 000	7 589 000	+	5 574 000
7. Credits guaranteed as security	17 080 000	18 479 000	+	1 399 000
8. Bonds	77 328 000	77 497 000	+	169 000
9. Various assets	1 748 000 000	1 781 321 000	+	33 321 000

Liabilities:	15 November	22 November		Difference
1. Capital				
a) Old capital	90 000 000	90 000 000		-
b) Increase of capital decided on	210 000 000	210 000 000		-
2. Reserve fund	900 000	900 000		-
3. Notes in circulation	1 633 171 000	1 550 122 000	-	83 049 000
4. Other bonds payable at sight	749 539 000	904 378 000	+	154 839 000
5. Loan to the Rentenbank	800 000 000	787 797 000	-	12 203 000
6. Various liabilities	1 705 670 000	1 702 752 000	-	2 918 000
Re-discounted bills of exchange payable in Germany	434 400 000	430 957 000	-	3 443 000
"Gold" cover	42.5 per cent	44.8 per cent		
"Gold and foreign" cover	56.7 per cent	59.6 per cent		

The balance sheet as on 22 November shows a substantial improvement in the situation of the Bank.

The amount of notes in circulation has decreased by 83 million marks. Further, the Bank has been able to decrease its loans to the Rentenbank by 37.3 millions.

Lastly, there will be noticed a substantial increase in deposits, the amount of which has risen from 750 to 904 millions or an increase of 154 million marks.

There is only a slight increase of 208 thousand marks in the Gold Reserve.

From the French: translated GL: checked NL.

Document No. 10 never issued. (number not used)

BORUSSIA POST

— Documentation No. 11.
~~Co-ordinating Document 17 A.~~
~~Transfer Document 5 A.~~

THE PRESENT FINANCIAL SITUATION OF THE REICH.

November, 1924.

The budget forecast for the financial year 1924-25.

The budget previsions of the Reich as established at the beginning of the current financial year (1st April 1924 to 31st March 1925) were as follows:

TOTAL RECEIPTS:	Millions of Marks.
Net returns from taxation after deduction of the sums reverting to the States and Communes	3.382,1
Administrative receipts.....	268,3
Loans.....	469,7
	4.120,1

TOTAL EXPENDITURE:	
General administration	3.358,7
Execution of the Peace Treaty	641,6
Redemption of gold loan	119,8
	4.120,1

The budget balance was thus dependent upon the loan to the extent of 469,7 million marks. Further, no provision was made for reparation payments, the amounts entered in the budget for the execution of the Peace Treaty being merely intended to cover the expenses of the armies of occupation and various minor payments resulting from the Peace Treaty.

The definitive results of the first half-year.

The statements which are published by the Ministry of Finances of the Reich every ten days enable us to form some idea as to the way in which the above previsions were realised during the first few months of the financial year.

In order that we may be in a position to compare the definitive results of the first half year as shown in the statements issued every ten days and the previsions for the entire year, we will presume that the previsions of receipts and expenditure are distributed equally between the two halves of the financial year.

In this way we are enabled to draw up for the first half-year the following comparative table of the estimated and the actual receipts and expenditure.

RECEIPTS.	ESTIMATES.	ACTUAL RECEIPTS.
	Millions of Mks.	
Net returns from taxation after deduction of the amounts reverting to the States	1.691,05	2.089,0
Administrative receipts	134,15	282,8
Loan	234,85	-
	2.060,05	2.371,8

EXPENDITURE	ESTIMATES	ACTUAL EXPENDITURE.
	Millions of Mks.	
General administration	1.679,35	1,991,5
Execution of the Treaty	320,80	
Redemption of gold loan	59,90	230,8
	2.060,05	2.222,3
Surplus:		149,5

As shown by the above table, not only has it not been necessary for the Reich to have recourse to the loan which was provided for in order to balance the budget, but the Reich has been able from its normal receipts to cover certain reparation charges which were not provided for in the budget. Thus, it paid in September the first monthly instalment of the annuity provided for in the Experts' Plan, which covers not only the costs of the armies of occupation but also coal deliveries and reimbursements to German exporters on account of the Reparation duty levied in England under the Recovery Act.

Further, the Reich has been able to accelerate to a considerable extent the redemption of the gold-loan bonds, at the same time retaining a surplus of 149,5 million gold-marks.

In addition, the taxes reverting to the States and Communes reached the figure of 1.210,2 instead of 930,8 millions. It must, however, be noted that during the first half-year the German Government covered certain expenses in connection with the execution of the Peace Treaty, and in particular the reimbursement to German exporters of sums collected under the British Recovery Act for the period during which the reimbursement of such sums in cash was suspended, by means of Treasury Bonds known as "E" Treasury Bonds. Further, it converted into bonds of this nature the greater part of the old bonds which were known as "K" Treasury Bonds and which were issued in payment of indemnities and, in particular, for German property seized abroad. These "E" Treasury Bonds are reimbursable on and after October 1st 1924 at the rate of 1/4 at the beginning of each half-year, the first quarter being reimbursable at 100%, the second at 105%, the third at 110% and the fourth at 115%.

For the period from 1st April to 30th September, the amount of "E" bonds issued passed from 31,4 to 309,5 million marks, representing an increase of 278,1 million marks.

If we take into consideration the fact already mentioned above that the redemption of the gold-loan effected from the ordinary receipts reached the amount of 230,8 million marks, whilst still leaving a surplus of 149,5 millions, the actual surplus for the half-year after account has been taken of the expenses paid by means of "E" bonds, amounts to 102,2 million gold-marks.

Probable expenditure of the second half-year.

We will now attempt to make approximately estimates of the expenditure for the second half of the financial year. Let us suppose that the administrative expenses will be the same as those for the

first six months, i.e. 1.679,35 million marks. As regards the expenses incurred for the execution of the Peace Treaty, we must divide them into two parts, the first comprising the expenses to be charged to the Dawes annuity, and the second comprising the expenses to be charged to the German Government.

On examination of the estimates for the execution of the Peace Treaty for the whole of the financial year 1924-25, it is found that, roughly speaking, about half of the 641 millions provided for could be charged to the Dawes annuity, the other half being chargeable to the German Government. For the half-year the expenses to be charged to the German Government should, therefore amount to about 160 millions. For prudence, for the second half of the year we will enter the sum of 200 millions.

As regards the Dawes annuity we will presume that no payment is made between October 1st 1924 and 31st March 1925, by the Railway Company, although the latter should make some contribution to the first annuity. We will therefore assume that the part of the total annuity which corresponds to the first six months will be entirely covered by the budget without taking into account the fact that during this period the German Government will most probably be credited with various further sums which as a matter of fact it should not have taken from its budget, as, for example, the proceeds of the liquidation of the Caisse des Gages and the Regie des Chemins de Fer.

In regard to the redemption of the gold-loan, in view of the fact that their remains in circulation only an amount of about 32 millions reimbursable in 1932 and 1935, it may be considered as temporarily suspended, the more so as during the first six months almost double the amount provided for the entire year was redeemed. Finally, we must take into account the charge constituted by the "E" Treasury Bonds, the first quarter of which must have been reimbursed upon 1st October last.

Upon the basis of the amount of bonds in circulation on September 30th, it is found that these reimbursements constitute for the German Treasury each half-year a charge of about 75 million marks. A first reimbursement to this amount must already have been effected during the month of October.

Under these circumstances the estimated expenditure for the second half-year is as follows:

	Millions of Marks.
General administration of the Reich.	1.679,35
Execution of the Peace Treaty.	
a) Sums chargeable to the German Gt.	200,00
b) Dawes annuity	500,00
Total:	2.379,35
Redemption of debt:	
Reimbursement of "E" bonds	75,00
Total:	2.454,35

It is evident that if the actual receipts of the second half of the year were equal to those of the first half, which amounted to 2.371,80, the Reich would be able, with the exception of 8 millions, to meet the whole of its normal expenses - administrative as well as reparation. Only the reimbursement of the "E" bonds falling due in October would have to be effected by having recourse to a loan.

The probable receipts of the second half-year.

As is seen from the table given on Page 2, the balancing of the German budget during the first six months was due not to any reduction in expenditure, but solely to the increase in receipts. The following table shows the manner in which this increase is distributed amongst the various sources of revenue.

Tax.	Receipts for first six months - 1st April to 30th September.		Comparison between actual and estimated receipts.	
	Actual receipts.	Estimates.	Absolute value.	%
Income tax:				
From salaries	592,4	672	+ 330,2	149
From revenue on capital	5,0			
Other amounts (pre-payments)	404,8			
Corporation tax	144	72	+ 72	200
Tax on fortunes	178,2	188	- 9,8	95
Death duties	8,6	15	- 6,4	57
Turnover tax:				
General	863,0	630	+ 233,0	137,0
Luxury tax	51,6	90	- 38,4	57,3
Estate duties	12,1	75	- 62,9	16,0
Tax on transfers of capital	80,5	99	- 18,5	81
Transport tax	171,1	115	+ 56,1	149
Customs	136,5	80	+ 56,5	171
Tobacco tax	231,1	180	+ 51,1	128
Beer tax	101,4	63	+ 38,4	161
Wine tax	38,8	24	+ 14,8	162
Alcohol monopoly tax	36,5	70	- 33,5	52
Sugar tax	91,0	115,5	- 24,5	79
Other taxes	146,9	133,4	-	
Various collections	5,7	0,1	+ 5,6	-
Total collections	3 299,2	2 622	+ 677,2	126

The greater part of the increase comes from the income and turnover taxes which are precisely the taxes for which the sums which revert to the States and Communes are the largest. This explains why these sums were so greatly in excess of the budget estimates - (1210,2 millions instead of 930,8.) Large increases were also registered in the case of the indirect taxes, especially for customs, and for the wine and beer taxes. The decreases, on the contrary, are very few and only occur in the case of taxes from which the returns are relatively low.

It is this considerable increase, in the returns from taxation which has led the Government to lower the rate of certain taxes.

A first reduction of the turnover tax from 2½ to 2% came into force on the 1st of October. No idea can be formed as to the effect

of this reduction on the receipts before the month of November, as the receipts collected in October were for transactions concluded in September and still taxed at the old rate.

In addition, an ordinance dated November 10th 1924 has been published which provided for a further reduction of the turnover-tax, as from January 1st 1925, from 2% to 1½%. The luxury tax is at the same time reduced from 15 to 10%.

For the reason explained above, the effects of this reduction will not begin to be felt before the month of February.

The ordinance of November 10th also modifies, as from December 1st 1924, the provisions now in force in respect to the income and corporation taxes. The modifications to be made are briefly as follows:

a) Prepayments under the income and corporation taxes to be reduced by one quarter.

We know that for the financial year 1924-25 the prepayments on account of income-tax were fixed by forfeit. As regards agriculturalists, these prepayments were fixed at a three-monthly rate of 1 gold-mark per 1,000 of the value of the estates worked by their owners and accepted as the basis of the tax on fortunes.

For industrial revenues, the rate was fixed at 2% of the working receipts after deduction of salaries and wages. For the retail trade the fixation of average rates was provided for.

In addition, industrial firms which are liable to the corporation tax effect a prepayment each month of 2% of their turnover, but at least ½ per 1,000 of their fortune.

b) The minimum salary exempt from the income tax is raised from 50 to 60 Mks. per month.

Let us try to estimate the influence of these reductions on the probable receipts for the half year.

We already know the amounts collected in October. In order to judge what the receipts for the other months will be, we will take the last three months for which we know the results, i.e. August,

September and October, and we will assume that the basis for the following months is maintained at this rate.

For the turnover-tax, the receipts for the half-year after account has been taken of the reductions brought into force on 1st October and 1st January, would be as follows:

	Ordinary tax	Luxury tax	Total.
October	197,3	10,8	208,1
November	128,5	9,2	137,7
December	128,5	9,2	137,7
January	128,5	9,2	137,7
February	96,3	6,1	102,4
March	96,3	6,1	102,4
	775,4	50,6	826,0

For October the sums indicated are the actual receipts.

For the months of November, December and January, the average of the three months August - September - October, viz. 160,5 less 20% has been accepted, for the ordinary tax, and the average of these three months without any modification, for the luxury tax.

The sums indicated for the ordinary tax for the months of February and March are the figures of January less 25%, and for the luxury tax the figures of January less one third.

As regards the income and corporation taxes, we will determine their probable returns by a similar method, i.e. we will adopt the receipts of the quarter August - September - October as a basis for our estimates.

It would not seem that the proposed reduction of the income tax would exercise any considerable influence.

No modification has been made in the tax on revenues from capital.

The receipts of the quarter in question from prepayments reached the average monthly figure of 73,4. A reduction of 25% in these receipts would give a monthly figure of 55,05.

The effect of the reduction of 25% in the corporation tax would be to lower the returns from 25,7 millions - the monthly average for the three months August - September - October - to 19,25.

Under these circumstances, the receipts from these various taxes

for the half-year October 1924 to March 1925 would be as follows:-

	Income tax.			Corporation tax.	Total.
	Salaries	Revenue from capital.	Prepayments		
October	114,8	2,3	97,8	27,3	242,2
November	111,8	1,3	73,4	25,7	212,2
December	111,8	1,3	55,05	19,25	187,4
January	111,8	1,3	55,05	19,25	187,4
February	111,8	1,3	55,05	19,25	187,4
March	111,8	1,3	55,05	19,25	187,4
	673,8	8,8	391,40	130,00	1204,0

The figures for October are the actual receipts, those for November represent the average of the three months August - September - October, those for the period December to March are the figures for November reduced in respect to the prepayments and the corporation tax, by 25%.

We will employ the same method in order to estimate the probable returns from the other taxes in which no modification has been made. The average return from all these taxes during the three months August-September - October was 247,4 millions. In October it was 236,4 millions. If we take the probable yield of 247,5 for the five months from November to March and add thereto the actual yield of 236,4 for October, we arrive at the probable estimate of these returns for the half year of 1.473,9 million marks.

For all the taxes of the Reich the estimated receipts for the half-year would thus be 3.503,9 million marks.

This figure should, we think, be considered as a minimum. The economic crisis which resulted in Germany from the restoration of the money, and which reached its maximum point in the month of June is beginning to be less serious at present. More confidence is being felt, the spirit of enterprise is being restored, and there is an evident improvement in business. Prices show a slight tendency to rise owing to the improvement in the conditions of the money market. In addition, the reductions of taxes which have just been passed, the

first of which, the reduction from 2½ to 2% of the turnover tax has already come into force, cannot fail to contribute to an improvement in trade. It is therefore very improbable that the bases of the collections for the five months from November to March will remain the same as for the months of August, September and October, which we adopted as the basis of all our calculations. The receipts for the quarter August, September, October, viz. 1.887,9 millions, showed an increase of about 20% as compared with those for May, June and July, viz. 1.574,1 millions. There would be no exaggeration in supposing that there could be an increase in the returns for the five months November to March of 10% of the receipts for the three months August - October. If this increase were realised the gross returns from taxation for the half-year would reach approximately 3.850 million gold-marks.

From this sum, in order to ascertain the net receipts of the Reich, it would be necessary to deduct the sums reverting to the States and Communes. Up to the present, these sums were calculated according to a certain proportion for various taxes, as e.g. 90% of the income and corporation taxes, and 20% of the turnover taxes.

During the negotiations between the Reich and the States concerning the reduction of the rate of certain taxes by virtue of the ordinance of November 10th, the States demanded that the basis of the sums reverting to them should be modified at least temporarily. For the months of December to March, instead of keeping these sums in proportion to the receipts, the Reich was obliged to guarantee to the States that the sums transferred to them would not be lower than the average of those transferred during the months of August and September.

This is equivalent to saying that if the part of the States and Communes is lower than the average for the months of August and September, as a result of the reduction of the reductions prescribed by the ordinance of 10th November, the Reich will be obliged to complete the same from its total receipts.

Upon the basis of the receipts which we have estimated for the second half of the year, viz. 3.503,9 millions, and taking into account the measure which we have just mentioned, the total sums reverting to the States and Communes would amount for the income and turnover taxes to 1.308 million marks at least.

Upon the basis of the old regulations and taking into account the estimates which we have drawn up, the sums reverting to the States and Communes would only have amounted to 1248 millions. The burden thus assumed by the Reich in respect of its quaranty to the States and Communes is thus about 60 million marks, but on the other hand, it acquires entirely any surplus of the receipts as compared with our estimates in so far as the total returns from taxation do not exceed the average receipts of August and September.

Taking into account the other taxes for which sums also revert to the States and Communes, the total amount to be paid would be 1.450 millions at the most for the half year and upon the basis of our estimates.

The net returns from taxation of the Reich could therefore reach the figure of about 2,400 millions gold-marks.

To this sum must be added administrative receipts other than those arising from taxation. In October they amounted to 27,6 millions, and during the three months, August, September, and October, they were on an average 36,7 millions. Calculating upon the basis of a monthly average of 25 millions, we would obtain for the whole half-year a sum of about 150 million gold marks.

Under these circumstances, the total receipts of the Reich for the second half-year would be approximately 2.550 million marks.

We have already estimated the probable expenditure for the half-year at 2.454 millions. The period could, therefore, probably close with a surplus of about 100 million gold-marks after payment of all Reparation charges.

At the time of concluding this report, the press announces an increase in the salaries of civil service officials from the month of November. This measure would seem to involve an expenditure of about 120 millions for the half-year in question, including the increase in pensions. This further expense would, in accordance with the calculations we have just made, be almost covered from normal resources. The small deficit of 20 millions resulting therefrom would, in any case, be largely covered by the surplus of the first half-year.

Receipts and expenditure in October.

The monthly average receipts which would be necessitated by the integral execution of the budget as indicated on Page I, including the reimbursement of 75 million marks worth of "E" bonds, would amount to 409,6 million marks.

The actual receipts for October amounted to 483,7 million gold-marks, 456,1 millions representing returns from taxation, after deduction of the sums reverting to the States and Communes, and 27,6 millions administrative receipts.

In addition, the administrative expenditure of the Reich together with the expenses for the execution of the Peace Treaty, not included in the Dawes annuity, should according to the budget indicated above, amount to an average of 313,3 million marks. But for the month of October there must be added to this sum the reimbursement of "E" bonds, viz. about 75 million gold-marks, falling due on the first of the month, thus raising the total estimates for administrative expenditure for the month to 388,2 millions. The actual expenditure for October amounted to 386,4 million marks, that is to say 1,8 millions less than the amount estimated. The total receipts as compared with the total expenditure showed a surplus of 21,3 millions.

CONCLUSION.

In conclusion, it would seem that in spite of the recent reductions in taxes, of the increase in the salaries of Government employees, of the payment of Reparation charges, and of the redemption of a large part of the debt, the whole of the expenditure of the current financial year could be entirely covered by means of the normal resources and without having recourse to a loan.

(Sgd). MAURICE FRERE.

MF/NC

QWc.

Documentation No.12.

THE QUESTION OF THE RENTENBANK-KREDIT-ANSTALT.

Under the Law of 30 August 1924 the Rentenbank has to limit its activities to the liquidation of the credits granted by it to agriculture. On the other hand, it is authorised to utilise the funds at its disposal for the creation of an agricultural credit establishment, in agreement with the Government of the Reich.

§ 9 of the Law of 30 August 1924 is worded as follows:-

"In so far as the Rentenbank payments provided for in § 7 paragraph a (1) exceed 60 million Rentenmarks in one year, the Reichsbank shall separate each year from the surplus a sum of 25 millions, which shall be placed at the disposal of an agricultural credit establishment, to be created in agreement with the Rentenbank and with the Government of the Reich. The Rentenbank is authorised, with the consent of the Government of the Reich, to employ its other available funds, in so far as they are not specially assigned under the present Law, for the requirements of this credit establishment, or for similar purposes."

For several weeks the question of the creation of this agricultural credit establishment has been keenly contested in the various circles concerned: the bitterness of these discussions is due to the importance of the sums at stake: at present the Rentenbank has net assets of more than 150 million gold marks; its liquidation, which may take (it is thought) seven years, will leave available a total sum generally estimated at 1/2 milliard gold marks. The question at issue is the utilisation of this enormous capital.

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It will be remembered that the Rentenbank was created by the Order of 15 October 1923, by which it was granted a general mortgage on agricultural, industrial and commercial property, to the amount of

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(1) § 7, paragraph a, reads as follows:- "The Rentenbank will transfer to the Sinking Fund (created at the Reichsbank for the withdrawal of Rentenbank notes) all the receipts from mortgagesfor the period from 1 October 1924. These payments will be transferred directly by the Payment Offices to the Sinking Fund at the Reichsbank.

4 per cent of the value of the property in question, as fixed for the National Defence Contribution (Wehrbeitrag). This mortgage bore interest at the rate of 6 per cent payable to the Rentenbank in half-yearly instalments on 1 April and 1 October of each year, beginning on 1 April 1924. The Rentenbank was to grant credit to the Reich to an amount not exceeding 1200 million Rentenmarks. It was further authorised to grant credit to private businesses through the intermediary of the Reichsbank and the private Banks of Issue. In the last balance-sheet published by the Rentenbank on 30 September 1924 (1), 3 068 million Rentenmarks are shown for loans to private businesses, 196 millions for non-interest bearing loans to the Reich, 1,004 millions for interest-bearing loans to the Reich, 800 millions for loans to the Reichsbank, and 70 millions for loans to private Banks of Issue.

The Law of 30 August 1924 put an end to the mortgage established for the benefit of the Rentenbank on industry and commerce (2). Only the mortgages on landed property were retained, the amount being raised to 5 per cent of the value of the property (instead of 4 per cent), while the rate of interest was reduced from 6 to 5 per cent.

The Rentenbank, which thus became an exclusively agricultural organisation, had to adapt its Statutes to this new situation. Its new Statutes were approved by the Government of the Reich on 21 October 1924, and on 11 November 1924 the General Meeting of the

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(1) Owing to its re-organisation, the Rentenbank did not publish a balance sheet for October 1924.

(2) As this Law did not come into force until 11 October 1924, industry was under obligation to pay the interest due on 1 October. But by a Ministerial Circular dated 26 September 1924, it was provided that only half of this interest need be paid on the due date, the payment of the second half being postponed until 15 January 1925. According to the Deutsche Allgemeine Zeitung of 21 November 1924, it has been suggested that these provisions should be amended, and that the balance thus postponed should be reduced by 25 million Marks.

reorganised bank elected its new Board of Control. The 33 seats were distributed as follows:-

9 to the Landwirtschaftsrat (Agricultural Council),

6 to the Reichslandbund (Rural Association of the Reich),

6 to the Union of German Peasant Associations,

6 to the Union of German Agricultural Co-operative Societies,

6 to the General Union of Reiffeisen Co-operative Societies.

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The Press of 12 November 1924, in reporting the discussions at the General Meeting, declared that most of the members present had recognised the urgent necessity for the creation of the new establishment for agricultural credit.

The polemics which immediately broke out in the Press, however, soon showed that agreement was far from reached among the various interested parties: and the program of the management, though imperfectly known, was sharply criticised.

The Peasant Associations and the Agricultural Co-operative Societies expressed their fear that the new institution would be dominated by the Reichslandbund, that is to say, by the big landowners. They declared that no new establishment for agricultural credit was required, and that the Preussen-Kasse (1) in the case of personal credit, and the existing mortgage Banks, in the case of credit on real estate, could easily take over the functions which it was desired to entrust to the new organisation.

The mortgage Banks were alarmed at the proposal to establish such a powerful rival to their activities.

Further, the States, and particularly Bavaria, rejected the idea of a central mortgage Bank installed in Berlin, which would give (they felt) preferential treatment to the North German agriculturalist.

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(1) Central office of the Co-operative Societies, with head office in Berlin.

The Rentenbank Management then drafted and transmitted to the Reichsrat a proposal which seemed to reconcile the various conflicting interests.

According to this plan, the new establishment for agricultural credit, the Rentenbank-Kredit-Anstalt, a branch of the Rentenbank, would grant personal credits from its own capital only. It would not accept deposits. It would also not lend directly on mortgages. Its main function would be to obtain long term credits from foreign countries on the sole security of its capital. Such credits would be distributed between the agricultural credit banks, which would then offer loans on mortgages to the agriculturalists.

The composition of the Managing Board (Vorstand) of the new institution was also calculated to allay the fears of the small landowners and of the States. Of the 19 members of the Board, 11 were to be representatives of agriculture (3 representatives of the Landwirtschaftsrat, 4 representatives of the agricultural co-operative societies, 2 representatives of the Rural Landbund and 2 representatives of the peasant associations). The remaining 8, chosen from among the members of the Reichsrat, would watch over the interests of the States.

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This compromise is far from satisfying everybody. The Parties of the Left are definitely opposed to it. They consider that there is no need for haste, since agriculture has in the meantime Rentenbank credits at its disposal, the first third of which need not be reimbursed until 1 October 1925. They further declare that, if the proposal is realised, the measure of the reactionary influence of the Landbund in the new Bank will not by any means be the strength of its representation on the Managing Board, for all that that representation is reduced (to 2 seats). "We are certain", wrote the Vorwärts of 22 November 1924, "that the

Nationalist party funds would draw considerable profit from a central agricultural Bank dominated by the influence of the Landbund."

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At its meeting of 27 November 1924, the Reichsrat was to have discussed the proposal submitted by the Rentenbank. Owing to the opposition of the representatives of the Prussian Government, the question was taken off the agenda.

In a communiqué to the Press, the Prussian Government defined and explained its point of view. It is not entirely hostile to the plan: but it is opposed to a measure of such importance as the creation of the Rentenbank-Kredit-Anstalt being effected by means of an Emergency Decree, as the big land-owners desire. It considers that the matter should be submitted to the Reichstag, and dealt with in a law.

The Press of the Right protests violently against the attitude of the Prussian Government, and asserts that this is dictated by the Socialist Severing.

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According to the latest information in the Press, the partisans of the immediate realisation of the plan are proposing to get round the resistance of the Prussian Government by creating a joint-stock company, which would later be transformed into a public institution.

From the French
Translated - BWS
Checked - RB.

EP.

DOC. 13.

TRANSFER COMMITTEE

ECONOMIC SERVICE

Berlin, November 29, 1924.

THE WEEKLY RETURNS OF THE GOLDDISKONTBANK.

The following is the comparison between the balance of the Golddiskontbank as on 29 November 1924 and the balance as on 23 November 1924.

	Returns as on 23 November (2)	Returns as on 29th November (1)	Difference between (1) and (2)
ASSETS	£ s. d.	£ s. d.	£ s. d.
1. Gold reserve	9 000 - -	- - -	- 9 000 - -
2. Notes of foreign banks	439.14.10.	- - -	- 439.14.10.
3. Credits payable at sight abroad	1 162 177.13.10.	669 893.16. 3.	- 492 283.17. 7.
4. Bills and cheques	6 165 862. 4. 2.	6 731 502. 4. 2.	+ 565 640. -. -.
of which at short term	1 153 792. 9. 5.	1 081 712.17. 7.	- 72 099.11.10.
5. Unpaid share capital	3 280 000. -. -.	3 280 800. -. -.	- - -
6. Miscellaneous assets	56 498. 5. 5.	57 013.11. 8.	+ 515. 6. 3.
	10 674 777.18. 3.	10 739 209.12. 1.	

	Returns as on 23rd November (2)	Returns as on 29th November (1)	Difference between (1) and (2)
LIABILITIES	£ s. d.	£ s. d.	£ s. d.
1.Original capital	10 000 000. -. -	10 000 000. -. -.	-- -- -
2.Reserve fund	- - -	- - -	- - -
3.Notes in circulation	- - -	- - -	- - -
4.Liabilities payable at sight	565 517. 1. 8.	228 657. 6. 4.	+ 63 140. 4. 8.
5.Miscellaneous liabilities	509 260.16. 7.	510 552. 5. 9.	+ 1 291. 9. 2.
	10 674 777.18. 3.	10 739 209.12. 1.	
Liabilities arising out of rediscounted bills	4 353 035.14. 5.	5 632 004. 1.11.	- 721 031.12. 6.

The Golddiskontbank is still in the process of liquidation. It has handed over to the Reichsbank its gold reserve and notes of foreign banks. The liabilities arising out of rediscounted bills have decreased by £721 000.

From the French: Translated JMP: Checked ML.
MdeJB.

DOC. 14.

TRANSFER COMMITTEE

ECONOMIC SERVICE

Berlin, December 4, 1924.

THE RETURNS OF THE REICHSBANK AS ON 29 NOVEMBER 1924.

The following is the comparison between the balance of the Reichsbank as on 29 November and the balance for the preceding week and the first balance published in accordance with the Law of 30th August 1924.

ASSETS			
		Difference as compared with balance of 22 November 1924	Difference as compared with balance of 15 October 1924
1.Unissued shares of the Reichsbank	210 000 000	-	-
2.Gold reserve (bullion and bars)	695 487 000	+ 653 000	+ 81 862 000
Reserve	455 454 000	+ 653 000	+ 13 972 000
On deposit abroad	240 033 000	-	+ 67 890 000
3.Currencies available as cover	231 829 000	+ 218 000	+ 27 288 000
4.Other bills and cheques	2 290 166 000	+ 119 015 000	+ 136 223 000
5.Small German coins	49 525 000	- 3 942 000	- 9 834 000
6.Notes of other banks	6 788 000	- 801 000	+ 6 788 000
7.Advances covered by pledges	18 628 000	+ 149 000	+ 2 681 000
8.Securities	77 808 000	+ 311 000	+ 291 000
9 Miscellaneous assets	1 655 352 000	- 125 969 000	+ 725 451 000

	LIABILITIES		
		Difference as compared with balance of 22 November 1924	Difference as compared with balance of 15 October 1924
1.Capital			
a) Original capital	90 000 000	-	-
b) Increase of capital decided on	210 000 000	-	-
2.Reserve fund	900 000	-	-
3.Notes in circulation	1 863 200 000	+ 313 078 000	+ 466 452 000
4.Other liabilities payable at sight	703 938 000	- 200 440 000	- 124 573 000
5.Loan from the Rentenbank	684 664 000	- 103 133 000	- 115 336 000
6.Miscellaneous liabilities	1 682 881 000	- 19 871 000	+ 744 207 000
Re-discounted bills payable in Germany	597 557 000		+ 141 557 000
"Gold" cover	37.3 per cent	44.8 per cent *	43.9 per cent **
"Gold and foreign exchange" cover	49.8 per cent	59.8 per cent	58.6 per cent

* Cover as on 22 November 1924
** Cover as on 15 October 1924.

The returns as on 29 November show the monetary requirements at the end of the month. Bills and cheques (portefeuille) have increased by about RM 119 millions. The currency in circulation has increased by RM 442 millions (as compared with an increase of RM 469.6 at the end of October): namely RM 313.1 millions in Reichsbank notes and RM 129.8 millions in Rentenbank notes. In fact, according to the information communicated to the Press, the item "Assets in Rentenbank notes", included under the heading "Miscellaneous assets", shows a decrease of RM 229.8 millions. 100 millions have been used to reimburse the Rentenbank and 129.8 millions have been put into circulation again. Since, in addition to this transaction, the Reichsbank has remitted to the Rentenbank, in repayment of its loan, RM 3.1 millions in Rentenmark drafts, the item "Loan from the Rentenbank" shows a total decrease of RM 103.1 millions as compared with the preceding week. Deposits show a reduction of RM 200.4 millions. This reduction would appear to be due, in particular, to the withdrawal of public funds, private individuals having found the sums required for due payments, by means of credits granted by the Bank.

MdeJB.

DOC. 15

TRANSFER COMMITTEE
ECONOMIC SERVICE

BERLIN, December 8, 1924.

RETURNS OF THE REICHSHAUPTKASSE FOR THE MONTH OF NOVEMBER 1924.

The Reichsanzeiger of December 4, 1924 (No 286) publishes a statement showing the movements of funds at the Reichshauptkasse during the month of November. A copy of this statement is attached hereto.

The figures given for the receipts and disbursements are incomplete in that they do not include expenses paid directly by the minor Kassen from the sums collected by them. Upon the basis of the July-October figures the omission may amount to a sum between 73 and 109 million gold marks, but as the sum, when determined, must be added to both receipts and disbursements totals, the balance will not be affected. The actual amount of the receipts and disbursements will only be known during the course of next month. In a note appended to the ten-day returns of December 4, it is stated that in future the returns will be published once a month instead of three times a month as heretofore.

For purposes of comparison, a statement showing the monthly receipts and disbursements from April to November inclusive is attached.

Cash transactions of the Reichshauptkasse for the month of November 1924

	November 1924	April to end of November 1924
	Reichsmarks	
I. Receipts.		
a) General Finance Administration (taxes, customs, duties) after deduction of the expenditure incurred by the Oberfinanzkassen and Finanzkassen	464,884,225.-	4,377,732,776.-
b) Miscellaneous receipts.	27,315,406.-	337,599,089.-
Total	492,199,631.-	4,715,331,865.-
II. Payments.		
a) General Reich Administration including disbursements for execution of Peace Treaty	170,554,887.-	2,505,405,920.-
b) Taxation quotas of the States and Communes	242,669,849.-	1,683,494,668.-
c) Payments on Reparation account.	68,998,200.-	345,847,679.-
Total	482,222,936.-	4,534,748,267.-
leaving a surplus of	9,976,695.-	180,583,598.-
III. Position of the floating debt as at 30.11.24.		
1. Obligations in Treasury Bonds and Treasury Bills		18,632,022.91
2. Guarantees by means of Treasury Bonds and Treasury Bills		469,031,357.13
3. Reichsmark bills in circulation		55,000,000.-
Total		542,663,380.04

S T A T E M E N T

of the receipts and disbursements of the Reichshauptkasse since the beginning of the financial year

I. RECEIPTS - in millions of G.M. (Reichsmarks)

(General administration of the Reich)

Month	Receipts from taxation	Administrative receipts	Total
April	523.8	55.7	579.5
May	518.7	48	566.7
June	472.5	57.4	529.6
July	583.1	39.1	622.2
August	592.-	26.2	618.3
September	609.2	56.4	665.6
October	686.7	27.6	714.3
November	(464.9) (1)	27.3	(492.2) (1)

II. DISBURSEMENTS - in millions of G.M. (Reichsmarks).

	General Administration	Taxation quotas of the States	Redemption Gold Loan	Reparation account	Total
April	338.6	184.9	76		599.5
May	245.-	214.2	121.1		580.2
June	324.9	179.6	26.6		531.1
July	336.9	198.4	5.1		540.4
August	300.9	243.2	0.9	53.6	598.7
September	294.1	190	1.1	97.4	582.6
October	386.4	230.6	-	76.-	693.1
November	(170.6) (1)	242.7	-	68.9	(482.2) (1)

(1) Incomplete- On the basis of the figures for the preceding months, the definitive figures should show an increase of from 70 to 100 millions on the figures given.

RFD

Documentation N°. 16.

8 December 1924.

The "gold" Balance Sheets of the four "D" Banks -

Darmstädter und National Bank
Dresdner Bank
Deutsche Bank
Diskonto Gesellschaft

The four "D" Banks, which are the largest German deposit Banks, have just published their "gold balance sheets"; we reproduce these below, and compare them with the last "paper balance sheets" dated 31 December 1923, and with their last pre-war balance sheets.

We proceed to consider the information to be obtained from these gold balance sheets with regard to the present position of the Banks, and the influence of the Inflation on their activities.

The "gold" balance sheet of the Darmstädter und Nationalbank

(1) (Danat).

The "gold balance sheet" of the Darmstädter und Nationalbank, which we compare below with the "paper balance sheet" of the last financial year, and with a combination of the balance sheets published for the financial year 1913 by the Darmstädter Bank, the Nationalbank für Deutschland and the Deutsche National Bank of Bremen,

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(1) The present Darmstädter und Nationalbank was constituted as follows: In 1920, union of the Nationalbank für Deutschland and the Deutsche National Bank of Bremen. In 1921, conclusion of a community of interests between the above group and the Darmstädter Bank. In 1922, fusion of the two institutions under the title "Darmstädter und Nationalbank".

estimates the capital at 60 million gold marks, after reducing the paper capital of 600 million marks in the proportion of 10 to 1. With this object the nominal value of the 1200 mark shares has been reduced to 120 marks and that of the 1000 mark shares to 100 marks. In addition, 40 million gold marks are assigned to the legal reserve.

Balance sheets of the Darmstädter & Nationalbank.

	First "gold balance sheet" of 1 Jan.1924 in millions of marks	Balance sheet of 31 December 1913 (1) in millions of marks	Paper mark balance sheet of 31 December 1923. In millions of (German)billions (2) of marks. (except where otherwise noted)
ASSETS			
Cash in hand	20.3	69.5	20.3
Bills & Treasury Bonds	5.7	289.7	5.7
Bank assets	77.6	70.2	77.6
Carry-over advances & loans against collateral	4.9	196.0	4.9
Commercial advances	17.0	42.3	17.0
Securities	23.6	94.1	-
Participation in syndicates etc.	15.5	87.6	-
Share holdings in other institutions	12.8	15.2	-
Outstanding debts	36.2	678.7	96.2
Real property (premises)	25.0	37.3	-
LIABILITIES			
Share capital	60	283	600 millions
Reserve	40	51.7	2000 millions
Outstanding claims	194.8	936	207.5
Acceptances & cheques	.25	274.7	0.25
Miscellaneous liabilities	2.5	-	2.5
Pensions fund	1.0	1.96	-

(1) Darmstädter Bank, Nationalbank für Deutschland, Deutsche Nationalbank of Bremen combined.
(2) German (or English) "billions" = French (or American) "trillions"

The "gold balance sheet" of the Dresdner Bank (1)

The "gold balance sheet" of the Dresdner Bank, which we reproduce below together with its "paper balance sheet" for 31 December 1923, and which we compare with a combination of the last pre-war balance sheets of the Dresdner Bank and the Rhein-Westphälische Diskonto Gesellschaft, the principal company acquired by the Dresdner Bank since 1913, shows capital to the amount of 78 million gold marks, after reducing the paper capital of 975 million paper marks (1) in the proportion of 12.5 to 1.

At this rate the value of the shares should be as follows: 48 marks for 600 mark shares, 80 marks for 1000 mark shares, 96 marks for 1200 mark shares and 240 marks for 3000 mark shares.

In conformity with §§ 25 of the second Decree of 28 March 1924 for the application of the original Decree of 28 December 1923, 600 mark shares should be converted into 40 gold marks shares and 1200 mark shares into 80 gold mark shares, while at the same time share certificates (Anteilscheine) for 8 and 16 gold marks were to be created.

In order to avoid such a complicated composition of its capital, the Bank will be authorised to offer its shareholders new shares for 100 gold marks or any multiple of 100 gold marks in exchange for what they at present hold. 22 million gold marks are paid to the legal reserve.

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(1) After redemption, in conformity with Article 30 of the Decree of 28 March 1923, of 125 million marks of "protective shares" (Schutzaktien).

Balance sheets of the Dresdner Bank.

ASSETS	First "gold balance sheet" of 1 January 1924, in millions of marks	Balance sheet (1) of 31 December 1913, in millions of marks.	Paper mark Balance sheet of 31 December 1923, in millions of (German) billions (2) of marks (except where otherwise stated)
Cash in hand	20.8	75.9	20.9
Bills	6.5	412.9	6.7
Bank assets	81.8	68.6	76.1
Carry-over advances & loans against collateral	0.7	173.2	0.7
Commercial advances	23.3	135.7	22.2
Securities	6.4	55.3	-
Participation in syndicates etc.	14.7	61.6	-
Shareholdings in other institutions	23.1	74.4	-
Outstanding debts	83.0	754.5	77.6
Real property (premises)	30	38.7	-
Other realty	1	4.0	-
Furniture & fittings	-	-	-
Pensions fund securities	0.04	4.0	-

(1) Dresdner Bank and Rhein Westphälische Diskonto Gesellschaft.

(2) German (or English) "billions" = French (or American) "trillions".

Balance sheets of the Dresdner Bank (cont)

LIABILITIES			
Share capital	78	295	1007 million
Legal reserve	22	79.7	46037 million
Outstanding claims	189.3	1077.7	193.8
Acceptances	0.1	358.1	0.1
Suspense accounts	1.1	-	1.2
Pensions fund	1	4.1	-

The "gold balance sheet" of the Deutsche Bank

The "gold balance sheet" of the Deutsche Bank of 1 January 1924, which is reproduced below, shows a credit balance to the amount of 202.5 million gold marks. The paper capital of 1500 million marks has been reduced to 150 million gold marks. For this purpose the nominal value of the various shares (600 marks, 1000 marks, 1200 marks, 5000 marks) is divided by ten. 50 million gold marks are paid to the legal reserve and 2.3 million gold marks to a provident fund.

The new capital of 150 million gold marks includes 40 million gold marks, representing the proceeds from the sale to a foreign banking syndicate by the Bank of Henry Schröder, London, of protective shares (Schutzaktien) to the value of 400 million marks, created by the Bank in March 1923.

Balance sheets of the Deutsche Bank

	First "gold balance sheet" of 1 January 1924, in millions of marks.	Balance sheet of 31 December 1913, in millions of marks	Paper mark balance sheet of 31 December 1923, in millions of (German) billions (1) of marks (except where "otherwise" stated)
ASSETS			
Cash in hand	36.3	125.4	36.3
Bank assets	157.3	61.7	128.8
Bills	11.5	639.4	11.5
Commercial advances	23.3	216.8	20.3
Carry-over advances and loans against collateral	7.2	233.2	-
Dollar Treasury Bonds	5.0	-	2.7
Securities	10.0	161.2	
Participation in syndicates etc	10.0	53.5	0.8
Share-holdings in other institutions	25.0	82.5	1.1
Outstanding debts	183.3	638.4	147.8
Real property (premises)	40.0	31.5	-
Other / realty	3.0	-	-
Suspense accounts	1.4	-	0.4
LIABILITIES.			
Share capital	150.	200	1500 million
Reserve	50	108	600 (German) billion (1)
Outstanding claims	349.3	1 580	349.3
Acceptances	0.55	284.1	0.55
Provident fund	2.5	7.6	-

Frankfürter Zeitung N° 856 of 25 April 1924.

(1) German (or English) "billions" = French (or American) "trillions"

The "gold balance sheet" of the Diskonto Gesellschaft.

The "gold balance sheet" of the Diskonto Gesellschaft, which is reproduced below, shows net assets of 136 million gold marks. Of the 290 million marks of shares "en commandite" created in December 1922, the Bank has redeemed 233 333 000 at the "gold price" for which these shares were sold. The paper capital, reduced by this operation to 666 667 000 marks, is converted in the proportion of 6 2/3 to 1; that is to say, it is converted into a gold capital of 100 million marks. 34 million marks are paid to the gold reserve, and 2 million gold marks to the provident fund.

The nominal value of the 600 mark shares is reduced to 50 gold marks, a new share of 40 gold marks being at the same time assigned to the holders of these shares. The nominal value of the 1200 mark shares is reduced to 180 gold marks, and that of the 1000 mark shares to 150 gold marks.

Balance sheet of the Diskonto-Gesellschaft.

	First "gold balance sheet" of 1 January 1924 in millions of marks	Balance sheet (1) of 31 December 1913 in millions of marks	Paper mark balance sheet of 31 December 1923 in millions of (German) billions (3) of marks	First "gold balance sheet "of 1 January 1924 for the amalgamated banks (Diskonto-Gesellschaft, Norddeutsche Bank & Schaffhausenscher Bankverein) in millions of marks
ASSETS				
Cash in hand	10.5	49.7	10.5	16.4
Bills	7.4	237.5	7.4	9.8
Bank credits	74.3	71.1	58.3	109.7
Advances against collateral	-	104.9	-	-
Commercial advances	6.8	133.8	6.8	8.5
Securities	4.8	30.1	10 million paper marks	11.6
Participation in syndicates etc.	20.5	60.7	10 million paper marks	24.5
Share-holding in the Norddeutsche Bank(1)	12.0	50.0	60 million paper marks	
Share-holding in the Schaffhausenscher Bankverein (1)	25.0	100 (2)	100 million paper marks	
Other share-holdings	22.8	64.7	10 million paper marks	24.5
Outstanding debts	74.4	309.2	57.2	106.9
Real property (premises)	30.0	17.9	1.4(German billion(3) paper marks	44.6
Roalty	3.2	-	-	7.5
Former premises of the Schaffhausenscher Bankverein (sold in March 1924)	7.5	-	-	

LIABILITIES....

Balance sheets of the Diskonto Gesellschaft (cont)

LIABILITIES

Capital	100.0	200.0	900 million paper marks	100
Legal Reserve	34.0	81.3	31.350 milliards paper marks	45
Outstanding claims	163.3	674.0	160.07	216.7
Acceptances	0.25	246.3	0.25	0.25
Provident fund	2.0	6.49	-	2. 0
Guarantees	7.77	57.01	7.77	

(1) The Diskonto Gesellschaft possesses the whole of the capital of these two banks.
(2) For 1914.
(3) German (or English) "billions" = French (or American) "trillions"

The following table enables a comparison to be made for the four "D" Banks between the principal items in their pre-war balance sheets and in their first gold balance sheets of 1 January 1924.

Comparison between the principal items in the balance sheets (1) of 31 December 1913 and 1 January 1924, for the four "D" Banks together.

	31 December 1913	1 January 1924
Capital	1 173	388
Reserve Funds	327	157
Total	1 500	545
Outstanding claims	4 681.7	950.1
Acceptances	1 395.7	1.15
Bank credits	303.1	426.4
Commercial advances	526.8	72.1
Securities	381.5	51.6
Participation in syndicates &c	307.7	64.7
Share-holdings in other institutions	272.3	85.4
Outstanding debts	292.7	469.7
Real property	139.9	139.6

If the position were judged only by the "gold balance sheets" reproduced above, it might be thought that since 1913 the four large Banks had together lost some 2/3 of their capital.

In fact, however, the ravages of the Inflation have not been so great; and it would appear that, in order to be certain in future of being in a position to pay suitable profit on their new "gold" capital, the large Banks have shown extreme caution in assessing the value of their assets.

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(1) For the Diskonto-Gesellschaft, we take the figures of the gold balance sheet for the amalgamation "Diskonto-Gesellschaft, Nordeutsche Bank and Schaffhausenscher Verein".

The items "real property", "securities", "share-holdings in other institutions" undoubtedly represent considerable hidden reserves.

The Darmstädter und Nationalbank, for instance, shows only 25 million marks for real-property (premises), although in the last pre-war balance sheet real property to the value of 30 million marks appeared for the Darmstädter Bank alone. Since 1914 the "Danat" has acquired the premises of the Nationalbank fuer Deutschland and of the Deutsche Nationalbank of Bremen. It has also invested considerable sums in new buildings.

The Deutsche Bank and the Darmstädter und Nationalbank have valued their securities at rates not exceeding the lowest quoted since the beginning of the year, and the two other Banks at rates lower than those of 31 December 1923 and than the present rates.

It should be noted that since 1 January 1924, when the "gold balance sheets" were compiled, the position of the Banks has considerably improved. Deposits which, in these balance sheets, represent about one fifth of what they were before the war, have in general more than doubled.

The liquidity of the four large Banks, as shown by the figures of the balance sheets, is as follows: ·80[1] per cent for the Deutsche Bank, 66.4 per cent for the Diskonto Gesellschaft,

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(1) If this figure is notably higher than those for the other three Banks, this is because the Deutsche Bank counts the 40 million gold marks, to be paid by the foreign syndicate which purchased its old protective shares (Schutzaktien) among its available assets.

64.1 per cent for the Danat and 70.3 per cent for the Dresdner Bank.

On 5 December, the rates quoted for the shares or shares "en commandite" of the four "D" Banks were as follows:

Darmstädter und Nationalbank	11.9
Dresdner Bank	8.25
Deutsche Bank	11.9
Diskonto Gesellschaft	16 3/8

If we apply to these rates the rate of conversion indicated above, they will be found to correspond to the following gold rates:

Darmstädter und Nationalbank	11.9 x 10	= 119
Dresdner Bank	8.25 x 12	= 99
Deutsche Bank	11.9 x 10	= 119
Diskonto Gesellschaft	16 3/8 x 6 2/3	= 109 1/6

From the French
Translated - BWS
Checked - RB
GS.

Documentation N°. 17.

THE CONSTITUTION OF THE STEEL TRUST

(Rohstahlgemeinschaft)

The Steel Trust, which has just been reconstituted in Germany, includes the principal steel producers of the Reich. Below is reproduced a translation of the whole of the contract together with its annexes. Special attention is drawn to Annex II (figures of the annual quotas of each member of the Trust in the production), which gives valuable information as to the productive capacity of the steel industry in Germany. The system by which the quotas are calculated is explained in § 7 of the contract.

From the French
Translated - GL.
Checked - RB.

TEXT OF THE CONTRACT OF ASSOCIATION (1)

The Undersigned Firms conclude between themselves of the one part and the "Stahlwerksverband A.G." of Düsseldorf of the other part, the following Contract of Association.

For business purposes, the association will be known by the abbreviated name of "ROHSTAHLGEMEINSCHAFT (RAW STEEL TRUST)".

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(1) The Contract is translated from the German text.
NOTE BY TRANSLATOR.

§ 1.

Object of the Contract.

a) to ensure the prosperity of the steel industry by the grouping together and unified collaboration of economic forces interested therin;

b) to adapt the raw steel production of the associated firms to the current needs of consumption;

c) to pursue common economic ends in Germany and abroad.

§ 2.

The organisation of the Trust is as follows:

1. the Plenary Meeting: (die Hauptversammlung):
2. the Committees (die Ansschüsse:
3. the Bureau (die Geschäftsstelle).

§ 3.

The Plenary Meeting

1. Decisions of the Trust will be taken at plenary meetings.

2. Plenary meetings should, as a general rule, be held every month; they are convened by the Bureau on the call of the Chairman. Further, the Bureau has immediately to convene a plenary meeting, if one or more members whose quotas in the Trust reach a total of at least a million marks make a considered request therefor in writing to the Bureau -

3. Every member of the Trust must be summoned to the plenary meetings by means of a registered letter containing the agenda of the meeting. Such letter should be posted at latest on the fifth day before the plenary meeting. The

actual day of the plenary meeting itself is not included in this time limit.

4. Members of the Trust may be represented at loplenary meetings only by such persons as are qualified to represent them under the provisions of the Commercial Code. Where the legal representation of a member is vested jointly in several persons, each of them severally is authorised to represent him at the plenary meeting. The member is bound by his representative's vote. Further, the members of the Board of Control or employees of the member of the Trust, if furnished with a written procuration, can also act as representatives at the plenary meeting.

5. . In the plenary meetings each member of the Trust has a a vote for each 50 000 tons or fraction of 50 000 tons, of his quota.

6. Plenary meetings are not competent to take decisions, unless more than half the votes are represented.

7. In the event of a plenary meeting not having the necessary quorum for taking decisions, a second plenary meeting must be forthwith convened in the form laid sdown in paragraph 3 above. Such second meeting, whatever be the number of votes represented, can take valid decisions on the questions on the agenda of the preceding meeting. The notice summoning the second meeting must however contain a reminder that this is so.

8. The first plenary meeting during each year under the Centract (Vertrags jahr) elects a chairman and three Vice-Chairmen for the period up to the adjournment of the first plenary meeting of the following contract year. If the Chairman or one of the Vice-Chairmen vacates his office during the contract year, a second election to replace them is held at the next plenary meeting.

9. The Chairman opens and adjourns the debates of the plenary meeting. He directs the discussions and nominates the Secretary and two Scrutators. In the event of the Chairman and the Vice-Chairman being unable to attend a meeting, a Chairman is nominated for that meeting.

10. The decisions of plenary meetings are taken by a majority of the votes recorded, unless specific mention to the contrary is made in the present Contract. Any decisions which involve obligations on the part of the members of the Trust, other than those decisions for which specific provision is made in the Contract, must be unanimous.

11. Minutes are to be kept of the discussions of plenary meetings. They are to be signed, after they have been read and approved by the Chairman, by the Secretary and the Scrutators. To the Minutes must be attached a list of the persons who were present with the names of the members of the Trust whom they represented. A copy of the minutes is to be sent to each member of the Trust. The Minutes are authoritative for the members of the Trust.

§ 4.

The Committees

The first plenary meeting of each contract year elects the three following permanent Committees:

a) The Sales Committee (Absatzausschuss);

b) The Combination Committee (Verbandsausschuss);

c) The fForeign Committee (Auslandsausschuss).

The Bureau, the Chairman and at least four other persons to be elected from the representatives of the members of the Trust, are to belong to each of these three Committees. The Committees draw up their own Standing Orders. The activities of the Committees are as follows:-

a) The Sales Committee: to watch constantly the situation of the domestic and foreign market; to study the capacity of the market to absorb the manufactured products of raw steel; to prepare for the plenary meetings proposals for the adjustment of the production of raw steel to the capacity of absorption of the market by increasing or decreasing in equal proportion the quotas of the members of the Trust. The Sales Committee reports to the plenary meeting, and the decisions of the plenary meeting are based on its reports.

b) The Combination Committee: to take all necessary preliminary steps for the formation of combinations and groups.

c) The Foreign Committee: to represent the Trust in all Agreements of an international character.

§ 5

The Bureau

The Bureau of the Trust is the "Stahlwerksverband A.G. (Steel Works Association Company)" of Düsseldorf. It is empowered and required to represent the Trust in its own name in judicial and in other matters, both in relation to the members of the Trust and in relation to third parties.

§ 6.

Production of Raw Steel

By the production of raw steel is understood all production of raw steel by the members of the Trust, within the limits of the German Customs Union, by the Thomas, Bessemer, Siemens-Martin, Tiegel, electric furnace, or any other, process.

§§ 7.

Quotas

1. In order to achieve the objects for which the present Contract is designed, each member of the Trust is allotted an annual quota of raw steel (basic quota) equal to twelve times his production of raw steel during any one month in the period between 1 January 1922 and 31 October 1924. Additional quotas will be granted in special cases by way of arrangements to be made on the occasion of the conclusion of this Contract. The list annexed to the present Contract of basic and additional quotas constitutes an integral part of the Contract. By additional quota is meant the difference between the total quota of any member of the Trust and his basic quota (the basic quota being the figure obtained by multiplying by 12 the production of raw steel during any one month in the period between 1 January 1922 and 31 October 1924). The annual quota (basic quota plus additional quota) is subject to increase or decrease by the percentage fixed

each month by the plenary meeting. If for a period of at least three consecutive months the plenary meeting has allowed unlimited production of raw steel, the annual quota fixed in the contract (basic quota plus additional quota) ceases to be valid; and a new annual quota takes its place, representing four times the amount of raw steel produced by each member of the Trust during three consecutive months of the period during which the production was unlimited. In cases where force majeure is alleged the plenary meeting decides.

2. a) Decisions of the plenary meeting reducing the production of raw steel for any given month should, as far as possible, be taken before the end of the last month but one preceding.

b) The plenary meeting can decide in particular cases that a reduction is not to include particular products.

c) Reductions in the production of raw steel, which are decided upon by the plenary meeting, affect all members of the Trust equally up to the amount of 25 per cent of their quota (basic quota plus additional quota). If the reduction exceeds 25 per cent, the particular requirements of each member of the Trust and of his business are added (when calculating his monthly share in the production) to the figure left after the reduction, where such requirements are affected by the reduction. The figure thus obtained represents his definitive share. Nevertheless the final reduction must not in any case be less than 25 per cent. By the particular requirements of members of the Trust and their businesses are meant their requirements in respect of the following products (as set out in the attached Annex): semi-manufactured articles, material for railroad permanent way, section iron, bar iron, rolled wire, sheet iron, tubes, castings and forgings, which are to be calculated in terms of their weight

in raw steel, according to the scale given in the Annex, and are to be placed on the market in the particular stage of manufacture therein specified.

EXAMPLE.

a) If the reduction is 25 per cent, and the monthly quota of production of a member of the Trust is 100 000 tons, he will have a right to produce 100 000 tons

less 25 000 "

Total 75 000 tons.

b) If the reduction is 40 per cent, and the monthly quota of production of a member of the Trust is 100 000 tons, he will have a right to produce 100 000 tons

less 40 000 "

60 000 tons

plus 40 per cent of his requirements and the requirements of his business, viz: 4 000 "

making a total right to produce 64 000 tons

By a "business" in this connection is understood an interest, in which a member of the Trust is concerned to an amount of not less than 50 per cent.

3. Every partner has the right, either temporarily or permanently, to combine his basic quota with the quotas of one or more of the other members of the Trust. He must inform the Bureau of such intention, when communicating the figures of his monthly production. The Bureau will then combine the various quotas concerned, when calculating the increases or decreases of production.

4. Each member of the Trust is under obligation to communicate to the Bureau, before the 10th day of each month and in the form prescribed by the Bureau, his production of raw steel during the preceding month. Such communications to be signed by the Managing Board of the firm concerned. The Bureau transmits to each member of the Trust, before the 20th day of each month, a statement of the amounts of raw steel production declared for the preceding month.

5. If during any two consecutive months taken together, a partner has exceeded his quota, he is required forthwith to pay into the Bureau, at the latter's demand, 25 Reichsmarks for each ton of steel produced in excess.

As an advance on any possible future payments, each member of the Trust will, within four weeks from the signature of the present Contract, make over to the Bureau sola bills payable at sight for an amount representing 0.50 Reichsmarks per ton of his annual quota (basic quota plus additional quota). The Bureau will put these bills into circulation as they become due, unless cash payment is preferred by the member issuing the bills. Where bills are thus put into circulation, the member of the Trust concerned is required without delay to issue fresh bills, in order to keep his deposit at its original figure.

If a member of the Trust disputes his liability in the sum fixed by the Bureau, he must within a week of the notice given by the Bureau, appeal to the decision of an Arbitral Tribunal, in default of which he is considered to have recognised his indebtedness. This Arbitral Tribunal is composed of a Chairman, having the qualification of a judge, who is elected

yearly by the plenary meeting, and of two assessors to be chosen from a list drawn up each year by the plenary meeting. This list should contain the names of at least six different persons, none of whom should belong to the Managing Board or the Board of Control of any one of the members of the Trust. The plenary meeting nominates each year one or more persons to replace the Chairman in rotation, in the event of his being unable to attend. The rules laid down for the choice of the Chairman apply equally to that of the two substitutes.

To appeal to the Arbitral Tribunal a member of the Trust writes under registered cover to the Chairman for the time being, naming one of the Assessors on the List, and explaining why he considers the demand of the Bureau to be unjustified. If the registered letter has been sent before the date fixed as the time limit, within which the appeal must be lodged, the time limit is taken to have been observed. The Chairman must thereupon direct the Bureau to nominate within a week an assessor in its own behalf, and to reply to the case of the appellant. The proceedings in the Arbitral Tribunal are in general governed by the terms of the Civil Procedure Code.

If during any two consecutive months taken together a member of the Trust has not produced his basic quota, he is credited with the difference between his basic quota for the two months in question and his total production in the same period. At the end of each contract year, he will receive, in respect of the amounts thus credited, a sum varying in accordance with the amount of what the Bureau has received on account of surplus production, but not exceeding 25 Reichsmarks per ton.

§ 8.

In the event of the total or partial sale or lease of the raw steel producing plant of a member of the Trust, the member is required to transfer to the persons, to whom the property is conveyed, the obligation of continuing to execute the provisions of the present Contract in respect of the conveyed property. The member conveying it is guarantor to the Trust for the execution by the purchaser or lessee of the terms of the Contract. In all such cases of sale or lease, the vendor or lessor is required to inform the Bureau at once, in order that the plenary meeting may be informed.

§ 9.

Expenses of the Trust.

The expenses incurred by the Bureau in respect of its activities under the Contract are borne by the members of the Trust in proportion to their quotas. The Bureau will report to the plenary meeting on the matter. No profits are to be made by the Bureau on its conduct of the business of the Trust. The plenary meeting will decide on the use to be made of the funds, if any, at its disposal on the termination of the Contract.

§ 10.

Control.

Members of the Trust are under obligation to allow the Bureau or its mandatories to consult their books; they are to supply the Bureau or its mandatories with all the documents which they may require, in order to verify whether the clauses of the present Contract are being duly carried out.

§ 11.

Legal Competence.

In any dispute arising out of the present Contract, the Düsseldorf Courts are the competent authority. With the assent of the parties concerned, however, an Arbitral Tribunal may be substituted for the ordinary Courts. In the event of recourse to an Arbitral Tribunal, each party nominates an arbitrator, and the arbitrators thus nominated elect their own Chairman. If within two weeks of the nomination of the last arbitrator a Chairman has not been appointed, the Bureau will ask the Syndic of the Düsseldorf Chamber of Commerce to make the appointment. In any disputes arising out of the execution of the present Contract between the members of the Trust, the interests of the Trust will be represented by the Bureau. The bureau has also the right to intervene on the side of either party in any disputes between members of the Trust, whether before the ordinary Courts or before an Arbitral Tribunal. The terms of the present paragraph do not apply to the cases provided for in § 7, paragraph 5 with which the Arbitral Tribunal is alone competent to deal.

§ 12.

Coming into operation and duration of the Contract.

The present Contract comes into operation on 1 November 1924. It is concluded for a period of five years, subject to the reserve that after a trial period of eleven months, any member of the Trust can denounce it by registered letter to the Bureau as from the end of the twelfth month.

If a member of the Trust denounces the Contract, the other members are required within fourteen days of such denunciation to state whether they also desire to denounce it or not. If they do not denounce it, the Contract remains binding, so far as they are concerned.

If at the end of the trial period no member of the Trust has cancelled the Contract, it does not expire until four years later. The earlier dissolution of the Trust can be decided on by a simple majority if, for three consecutive months, the production of raw steel has been reduced by at least 40 per cent.

If for five consecutive months the production of raw steel has been reduced by at least 50 per cent, any member of the Trust can denounce the Contract as from the end of any calendar month, by giving notice of one month.

§ 13.

Election of new Members.

New Members are elected by decision of the plenary meeting.

From the German and French
Translated - RB & GL.
Checked - RB & NL.

QUOTAS OF PARTICIPATION IN THE STEEL TRUST.

(§ 7.1 of the Contract).

(Weights are all given in terms of raw steel).

No.	Member of the Trust.	Basic quota. tons. (1)	Additional quota. tons. (2)	Annual quota 1 and 2 together. tons.
1	Bochumer Verein	470 000	-	470 000
2	Deutsch-Luxemburg	1 006 640	-	1 006 640
3	Gelsenkirch. Bergwerks A.G.	104 000	-	104 000
4	Eisen- u. Stahlw. Hoesch, A.G.	746 916	-	746 916
5	Gutehoffnungshütte	911 892	-	911 892
6	Klöckner-Werke A.G.	787 808	-	787 808
7	Fried. Krupp A.G.	1 580 640	-	1 580 640
8	Phönix	1 580 640	-	1 580 640
9	Rheinische Stahlwerke	940 800	-	940 800
10	Thyssen-Gruppe	1 580 640	-	1 580 640
11	Mannesmannröhren-Werke	337 980	-	337 980
12	Eisenwerk Kraft	193 200	34 800	228 000
13	Gussstahlwerk Witten	141 360	32 640	174 000
14	Menden und Schwerte	67 200	-	67 200
15	Westf. Eisen- und Drahtwerke	64 104	6 696	70 800
16	Stahlwerks van der Zypen	221 916	-	221 916
17	Rombacher Hüttenwerke	230 208	-	230 208
18	Eisenhütte Holstein	60 720	-	60 720
19	Henschel & Sohn, Abt. Heinrichshütte	207 912	-	207 912
20	Rheinmetall	82 212	-	82 212
21	Ilseder Hütte	470 928	72 000	542 928
22	Charlottenhütte	100 260	-	100 260
23	Geisweider Eisenwerk	143 616	-	143 616
24	Siemerhütte	67 140	18 860	86 000
25	Friedrichshütte Wehbach	74 907	5 093	80 000
26	Maximilianshütte	317 532	36 000	353 532
27	Linke-Hoffman-Lauchb. A.G.	362 268	2 904	365 172
28	Eisenhuttenwerk Thale	99 388	-	99 388
29	Borsigwerk	98 160	-	98 160
30	Oberschles Eisenindustrie	324 324	-	324 324
31	O. Schl. Eisenb.-Bedarfs - A.G.	57 600	-	57 600
	TOTAL	13 432 911	208 993	13 641 904

ANNEX.

REDUCTION OF WEIGHTS TO TERMS OF RAW STEEL.

It is understood that

	1000 tons of raw steel will produce a net weight of the completed manufactured article of tons	1000 tons net weight of the completed manufactured article presupposes a net weight of raw steel of tons
Group: semi-manufactured articles.		
Raw steel in blocks	1 000	1 000
Blocks and rolled blooms	910	1 098.90
Square billets	885	1 129.94
Curved billets	875	1 142.86
Sheet billets	875	1 142.86
Flat billets	865	1 156.07
Group: railroad permanent way material.		
Rails of Kg.15 or more to the metre	840	1 190.48
Sleepers of Kg.15 or more to the metre	835	1 197.60
Rails of less than Kg.15 to the metre	830	1 204.82
Sleepers of less than Kg.15 to the metre	800	1 250.00
Guide rails	785	1 273.89
Fish plates, section of pass 10a	750	1 333.33
Stay plates	795	1 257.86
Hook plates for wooden sleepers	710	1 408.45
Hook plates for iron sleepers	600	1 666.67
Grooved rail fish-plates (all kinds)	795	1 257.86

	1000 tons of raw steel will produce a net weight of the completed manufactured article of tons	1000 tons net weight of the completed manufactured article presupposes a net weight of raw steel of tons
Group: Section iron.		
I- (x), U- (x) and trough plate passes of less than Kg.20 to the metre	805	1 242.24
I- (x), U- (x) and trough plate passes of from 20-100 Kg. to the metre	865	1 156.07
I- (x), U- (x) and trough plate passes of over Kg.100 to the metre	795	1 257.86
(x) means: height 80 mm or more.		
Group: Bar iron.		
Universal and flat iron, tube strips and bed-plates round and oblong iron, other kinds of bar iron and section iron in bars, hoop iron as well as clamp plate iron and pin wire	860	1 162.79
Group: Rolled wire.	870	1 149.42
Group: Sheet iron.		
Thick sheet iron, black	760	1 315.79
Thin sheet iron, black The sheet iron group includes: thick sheet iron 5 mm or more thick, all kinds of thin sheet iron less than 5 mm thick, riffled sheet iron, sheet iron with projections and other sorts of rolled iron.	700	1 428.57
Group: Tubes.		
Welded tubes	800	1 250.00
Seamless tubes	865	1 156.07

	1000 tons of raw steel will produce a net weight of the completed manufactured article of tons	1000 tons net weight of the completed manufactured article presupposes a net weight of raw steel of tons
Group: Castings and forgings:		
All kinds of railway axles, rough forged	810	1 234.57
Wheel centres for railway wagons, rough or finished	650	1 538.46
Solid wheel centres	750	1 333.33
All kinds of railway tyres rough rolled	930	1 075.27
Steel casting including wheel bodies for locomotives and tenders, cleaned, without cones and dead heads	750	1 333.33
All kinds of rough forgings	800	1 250.00
Steel rolls, cast (cleaned and without cones) or forged	800	1 250.00

From the German
Translated - J.M.P.
Checked - R.B.

QW.

Doc. No. 18.

FOREIGN CAPITAL IN GERMANY.

It is very difficult to obtain an exact idea of the amount of foreign capital imported into Germany, since the information published by the Press is usually confused and contradictory. We therefore think it may be of interest to reproduce for information the results of an enquiry carried out for the Frankfurter Zeitung which, although it does not claim to be complete, would nevertheless appear to give only reliable information regarding operations actually concluded.

"With the acceptance of the Dawes Plan by the various Governments, foreign capital began to enter Germany, at first very slowly and with much caution. This influx of investments of different kinds is not easy to distinguish, for the channels used are very various:-

Holdings taken in German joint-stock companies by the acquisition of large blocks of shares, the purchaser undertaking not to negotiate these blocks for a certain number of years; purchase of shares on the Stock Exchange; short-dated loans on securities or loans without any security to very reliable firms, merely in order to benefit by the high money rate in Germany; credits to German importers by foreign commercial firms; credits by discounting first-class bills; loans to the Communes with the possibility of subsequent consolidation.

Of all the credit operations concluded in these different ways, naturally very few have come to the knowledge of the public. Of the loans in question we only deal here with

those which from various points of view are characteristic of the various ways in which capital is imported. (The credits are given in chronological order from 1 June to November 1924).

x

x x

"The German sugar industry obtained from a syndicate of American Banks, of which the Chase National Bank is a member, a first discount credit for 6 months to the amount of 6 500 000 dollars.

Rate of interest: 8 per cent. The credit must be covered by exports within six months. The bills are accepted by large Banks, which have agreed to do so in this special case owing to the fact that the reimbursement of the loan is guaranteed by the foreign currency obtained for exports.

Of the preference shares to the nominal value of 8 million marks recently issued by the Metalbank of Frankfurt and bearing cumulative interest at the rate of 7,5 per cent, an English syndicate has taken up shares to the nominal value of 2 500 000 marks, with a right of option to any ordinary shares which it may require until 1928.

The Norddeutscher Lloyd has obtained from the Prudential Insurance Company of London a loan of 1 million pounds sterling for ten years.

According to the Times, this loan bears interest at the rate of 8 per cent, and an agreement has been reached for its gradual amortisation. A first mortgage on the Company's fleet is assigned as security for the loan.

The Gesellschaft für Elektrische Unternehmungen handed over shares to the nominal value of 5 million marks, issued during its last increase of capital, to a foreign syndicate of which the following firms are some of the members:-
Société financière de Transport, Electric and Railway Finance Corporation Ltd., Schweizerische Kreditanstalt, Compania Hispano-America, Madrid.

The Potash Syndicate has concluded a contract with a banking group directed by the Chase National Bank, by which it obtains a credit of 6 million dollars.

The Aktien-Gesellschaft für Anilinfabrikation has obtained from the American Banks Dillon Read and Co and International Acceptance Bank a provisional credit repayable before April 1925.

The Deutsche Erdöl Aktien-Gesellschaft has obtained a credit of 200 000 pounds in England.

The credit will be repayable at any time after utilisation. The Deutsche Erdöl Aktien-Gesellschaft will use it in order to grant credit to its customers.

The Rhenish-Westphalian Coal Syndicate has received through the bank of R. Oppenheimer Junior, of Cologne, a credit of 5 000 000 dollars for six months in the first instance. The rate of interest is to be 9 per cent.

The Rhenish-Westphalian Coal Syndicate has received through the bank of Hirschland of Essen two further discount credits for three months, one for 2 500 000 dollars from the Bank of Goldmann, Sachs and Co of New York, and the other for a million dollars from an English Bank.

The City of Berlin has obtained through the Deutsche Bank and Speyer-Ellissen of Frankfurt a loan of 3 million dollars from an American syndicate directed by Speyer and Co and the Equitable Trust of New York. The loan is in the first instance contracted for one year at 7 per cent.

The City of Cologne receives a credit of 2 million dollars from an American syndicate.

The Deutsche Bank (after its re-organisation on a gold basis) sells shares to the value of 40 million marks to an Anglo-American syndicate directed by the Bank of J. Henry Schröder of London. Speyer and Co and J.H. Schröder Banking Corporation are mentioned as being interested in this operation in New York."

It will be noted that the total amount of the credits thus granted exceeds 40 000 000 dollars.

From the French
Translated - B. S.
Checked - RB.

DR.

Documentation No.19.

AMERICA'S NEED FOR FOREIGN INVESTMENT

By Sir Josiah Stamp, K.B.E., (Governor (sic) of the Bank of England and Member of the Dawes Committee).

From II Beilage of the "Berliner Börsen Zeitung" No.575 of 7 December 1924.

The present gold hoardings of America are estimated at £800 to £900 millions. If this sum is taken as adequate for the present currency needs of the Union, an increase of about £30 millions per annum, that is to say 3 to 3½ per cent, would be sufficient to meet the increase of trade as a result of the growth of the population, and at the same time the increased demand for industrial products. But the net influx of gold has been in 1921 some £130 millions, in 1922 £48 millions and in 1923 some £60 millions. In the first six months of 1924, there was an average monthly inflow of gold to the amount of £7.5 millions, so that one must reckon on a total influx for the year of about £90 millions, which is as much as to say a further increase of the present holdings of gold by 10 per cent.

This enormously rapid increase in the gold holdings, far greater than the normal money requirements of the country would imply. constitutes a danger for the economic life of America, which is causing much shaking of heads both amongst theoreticians and practical men. Outside America, the accumulation of gold attracts attention chiefly because of its repercussion on the international exchanges and as a technical curiosity of banking. It is a scientifically grounded and practically demonstrable fact that, if this abnormal flow of gold had been allowed to work itself out unchecked, an appreciable diminution in the value of the metal and therewith an increase in the prices of commodities in the United States would long since have

resulted. This movement would have gone so far that American prices would have moved above world parity, thereby facilitating foreign imports. This again would have had as its corollary an influx of the yellow metal, with as a result a general assimilation of prices all round on the world market. The European currency catastrophe would then have been at an end: for the European currencies would have been brought back again to the pre-war level, and the European countries would have returned to a de facto gold standard.

In England, numerous political economists have made play with the idea of maintaining internal prices at their present level until, as a result of the process described in the United States, the American price level is brought close to the English price level and thereby an automatic approximation between the two countries effected. Such procedure, however, presupposes of course a gold inflation in the Union, and such inflation would inevitably have to be followed later by a deflation. But Americans have always been afraid of inflation, remembering the bad experiences of the years 1920 and 1921.

For these reasons they have evolved in America a preventative credit policy, the object of which is to maintain prices artificially steady, while the gold on its arrival is "hoarded", at any rate in part, and so handled that it is for all practical purposes of no use for normal American business. As the greater part of the reserves of the Banks consist of this hoarded gold, on which no profits are being earned, the policy is of course an extremely costly one for the country and, for American business as a whole, thoroughly injurious. It means this, that when the United States receive gold for raw materials, or manufactured or partly manufactured articles sold by them, they are offering their goods in exchange for a commodity which they cannot

employ for their own economic purposes, and which remains (so to speak) buried. The United States are closely connected with the world's trade and of course have channels enough at their disposal for the exchange of their merchandise with other countries; but the gold which they receive in the process is in fact of no use to them so long as it does not find a place amongst the American media of exchange. It cannot become economically useful to America until it is employed by America for the purchase of goods from abroad.

But to use the American gold to purchase foreign goods is precisely what American manufacturers and exporters are chiefly at pains to avoid. Their object is to exclude, by a policy of more or less high protective duties, all goods from foreign countries which may compete with their own, and to leave the inflow of gold untouched. This is of course an extremely costly policy, as it involves artificial maintenance of the value of the gold. Fortunately the country is extremely rich and appears to be on the threshold of a new era of prosperity, so that it can afford such a disguised form of subventioning its industry and export trade, for the policy amounts to nothing else. Many persons in the Union indeed do not today realise how unhealthy is the position of their country. When American writers speak of the "Reconstruction of Europe and its high significance for American trade", what they generally have in mind is increased markets for American goods in Europe. "Europe's increasing purchasing power"; "Europe again the chief market for American goods"; "Europe as an important overseas market for American surplus production", and "The Stabilisation of European currencies and its repercussion on American foreign trade" - all these are headlines of actual American leading articles reflecting the problems which are at present in the foreground of American interest. Rarely is there found a writer who views the situation

lso from the foreign standpoint, and thinks of improving conditions n Europe by increasing American imports. To solve her gold problems, merica can either accept promises to pay, as the equivalent of her old, - in other words she can give long term loans to Europe - or she an facilitate an exchange of commodities with Europe by revolutionising er commercial policy, or, if she wishes to maintain her exclusion of uropean commodities, she can continue to receive more and more gold.

But the consequences of the present economic policy are understood y very few. A well known American banker said a little while ago: All my life I have regarded gold as a very valuable substance and I decline to admit that there can be anything unhealthy about it, or that I should not continue to endeavour to collect as much of it as I possibly can." Similar views are held in widely spread business circles throughout the Union. It is of course a view which is in no sense calculated to promote the revival of the world's trade, while it is in every respect calculated to make the American gold question more, rather than less, difficult of solution. But, it will be asked, will there be an improvement in world conditions while America continues to hoard her superfluous gold ? Or again, would such an improvement be accelerated or promoted by a policy of loans or by a vigorous exchange of commodities, which incidentally would involve the import to a much freer degree of foreign merchandise ?

World conditions will undoubtedly in any case gradually improve, but the process is naturally difficult and tedious; nor is its course similar, or equally rapid, in all countries. The economic situation in the different regions of the world is too various, in spite of the unity of the world's trade; and the currencies of the several countries have too different backing and too different values in international quotation; and not all the countries are equally near balancing their

budgets.

In the past, the chief object for which gold was used was the support of the national currencies. Its exceptional adaptability to such a purpose made it the international standard of value. If, however, it can no longer be used for this purpose, or if in fact it is not used for this purpose, it loses a great part of its traditional adaptability. In practice today, numerous countries are contriving to exist without a gold standard. They would of course gladly employ gold, if it were cheap and easy to obtain, in large quantities to stabilise their currencies. If America could bring herself to export gold in the form of loans and, further, to import commodities of every kind from Europe in exchange, the conditions of industry in the European countries might improve, and the European currencies could at the same time be stabilised on a gold basis. That would no doubt imply a permanent improvement in the economic conditions of the world; but it would mean a temporary adverse trade balance for the United States. It would involve, of course, the enrichment of the American people owing to the import of foreign commodities, but it would also hurt certain industrial and commercial branches. A serious crisis in the labour market would be unavoidable. Such drastic practical proposals do not appear to be to the American liking.

The second best step for America would be to place her gold generously at the disposal of the world, that is to say to loan it out easily and cheaply for its old purpose of currency stabilisation. Such a procedure would be a healthy form of blood-letting for the over well-nourished business life of America and would appreciably diminish the danger of ultimate economic apoplexy. For what will happen if America does not come round to such a policy ?

Slowly and amid immense difficulties, the European countries will revive their trade and establish an economic stabilisation without a definite gold standard. In one way or another, they will learn the art of maintaining economic equilibrium, even without sufficient gold backing, with the result that thereafter, when the yellow metal is offered them, they will be in a position simply to decline it. They will have acquired the capacity to stabilise their currencies and to maintain their economic equilibrium without gold. America's gold, which she now so nervously hoards in order to prevent its devaluation, will then have lost permanently a great part of its value, because the world will have learned to do without it for what was one of its principal uses in the past. The stage of lying unused will then be followed by a far reaching unusability of the "precious" metal.

From the German.
Translated - RB.
Checked - RB.

EP.

Documentation No.20

WEEKLY BALANCE SHEET OF THE GOLDDISKONTBANK.

The Balance-Sheet of the Golddiskontbank for 6 December 1924 is given below, and compared with the Balance-Sheet of 29 November 1924.

	Balance-Sheet for 6 December 1924		Difference between the Balance-Sheets of 6 December 1924 and 29 November 1924.	
A S S E T S.	£. s. d.		£. s. d.	
1. Gold reserve	-		-	
2. Foreign bank notes	47. 19. 0.	+	47. 19. 0.	
3. Foreign Bills payable at sight	638 170. 14. 7.	-	31 723. 1. 8.	
4. Bills and cheques	6 657 449. 1.10.	-	74 053. 2. 4.	
of which at short-term	955 111. 4. 3.	+	126 601. 13. 4.	
5. Share capital not yet paid up	3 280 800. 0. 0.		-	
6. Other assets	57 473. 18. 2.	+	460. 6. 6.	
L I A B I L I T I E S.				
1. Original capital	10 000 000. 0. 0.		-	
2. Reserve Fund	-		-	
3. Banknotes in circulation	-		-	
4. Bonds payable at sight	118 587. 15.11.	-	110 069. 10. 5.	
5. Other liabilities	515 353. 17. 8.	+	4 801. 11.11.	
Rediscounts	2 969 733. 13. 5.	-	662 270. 8. 6.	

Rapid progress is being made with the liquidation of the Golddiskontbank. "Bills and cheques" have decreased by £74 053, and "Rediscounts" by £662 270.

From the French
Translated - CFH
Checked - RB
QW.

DOC. 21.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, December 9, 1924.

POSITION IN REGARD TO THE PUBLIC DEBT OF THE REICH (INTERNAL AND EXTERNAL) ON 31 OCTOBER 1924.

No.22 of "Wirtschaft und Statistik" publishes a report on the movements of the Public Debt of the Reich since 30 November 1923. A translation of this report, which contains the first approximately complete information published on the subject, is attached to this note.

The following is a brief explanation of the various items which, according to the report, constitute the Public Debt of the Reich as on 31 October 1924:

I. TREASURY BONDS.

in paper marks - bonds discounted by the Reichsbank before the Rentenbank was founded, and redeemed by the Reich in virtue of the Law of 15 October 1923 (§ 17 Reichsgesetzblatt I, page 963).

Dollar bonds - issued in virtue of the Law of 2 March 1923 (Reichsgesetzblatt I, page 155) to an amount of $50 million reimbursable at a premium of 20 per cent. on 15 August 1926, being debt taken over by the

Reichsbank in virtue of the agreement specified in R.C. Annex 2122-c (Report of the Organising Committee of the Bank).

6% reimbursable 1935 (Goldanleihe) - issued in virtue of the Laws of 14 August 1923 (Reichsgesetzblatt I, page 777 and II page 329) G.M. 500 millions - 1 gold mark = $\frac{10}{42}$ dollar - 6% interest payable on 1 September of each year. The small denominations (below 21 marks) were exchanged for Rentenmarks in January 1924 - the redemption of the other coupons is now proceeding.

6% reimbursable 1932 - issued in virtue of the Law of 4 June 1923 (Reichsgesetzblatt II page 231), to guarantee the issue of emergency money. Reimbursable at par on 1 December 1932. Redemption is now proceeding.

K. Bonds - issued for payment of compensation for war damages and effects of the war, in virtue of the Law of 11 July 1923 (Reichsgesetzblatt I page 303). Several types have been issued. Annuity and sinking fund variable. These bonds are now being exchanged for "E" bonds.

M. Bonds - issued for reimbursement of the British Reparation Recovery Act (Law of 20 February 1924, Reichsgesetzblatt II page 41). Also issued in exchange for K. Bonds. Non-interest bearing bonds, reimbursable on four dates at intervals of six months from 1 October 1924 at 100 per cent, 105 per cent, 110 per cent and 115 per cent respectively.

II. DEBTS TO THE BANKS.

To the Rentenbank without interest / with interest - loans from the Rentenbank to the Reich in virtue of the Law on the Rentenbank of 15 October 1923 (Reichsgesetzblatt I page 963).

To the Reichsbank - debt specified by R.C. Annex 2122-c (Report of the Organising Committee of the Bank).

III. FOREIGN CREDITS - Dawes Loan.

IV. MISCELLANEOUS - Sufficient explanation is given in the text of the attached document.

From the French
Translated - ML
Checked - RB
EP.

III. Post-War Debts:

Premium Loan (Prämienanleihe)	3 840 000.0
Forced Loan (Zwangsanleihe)	307 173 611.0
Total III -	311 013 611.0

GROWTH OF THE PUBLIC DEBT OF THE REICH

(Wirtschaft und Statistik, No.22
of 27 November, 1924, page 717).

Various alterations, occasioned by corrections or changes in the method of calculating the figures shown in some of the divisions of the Debt of the Reich, make it desirable to draw up a fresh Statement summarising all the items and showing the growth of the Debt since the stabilisation of the currency. Without taking into consideration the loans denominated in "marks", etc., which will be mentioned later, the total amount of the Debt has increased from R.M. 2 716.1 million, at the end of November 1923, to R.M. 3 266.5 million, at the end of October 1924. These figures, however, only represent the gross debt. The funds still available from the various credit transactions have not been deducted. Above all, the proceeds of the Foreign Loan and the Treasury Bills in Reichsmarks (formerly Treasury Bills in Rentenmarks) are still at disposal, the latter as a floating capital fund. The minted silver, which constitutes the remainder of the floating capital, must also be taken into account in connection with the figure given for the gross debt in the Statement.

It is to be expected that the amount of R.M. 3.3 milliards will be decreased during the next few months, so soon as the redemption of the "E" Treasury Bonds and the amortisation of the Rentenbank credit make themselves felt.

Of the former Treasury Bonds denominated in paper marks, which were redeemed out of the Rentenbank credit from 15 November onwards, only the equivalent of a few Reichs pfennigs still remains unredeemed. The obligations arising out of the Dollar Bills were taken over by the Reichsbank upon the coming into force of the new Bank Law. The Gold Loans redeemable in 1935 and in 1932 have been almost completely amortised through the action taken to support the rate of exchange. The redemption of the "E" Bills began on 1 October; but the total amount in circulation increased in October, because new issues exceed redemption for the time being. The amount of Treasury Bills in Reichsmarks has decreased still further.

The Foreign Loan has been entered at the value resulting from conversion at the Berlin average rates of 31 October for the various foreign currencies.

Under "other debts" have been entered the remaining obligations to pay and guarantees given, for the amount in Reichsmarks resulting from the conversion of the obligations in foreign currency at the rate of exchange of the day. These obligations include (according to the Loan Memorandum (Anleihedenkschrift) 1923, page 5) :

$ 6 532 000 Treasury Bonds issued in the United States during the war;

£ T (Turkish pounds) 153 682 520 arising out of obligations assumed towards Turkey;

Fl. 49 million, and

Norwegian crowns 66 999 783 security given in connection with measures for assuring the German food supply.

Side by side with this debt, there is also the Debt denominated in "marks", the total nominal value of which amounted to 380.9 milliard "marks" at the end of September 1924. This total amount is made up as follows (in 1000 marks):

I. Pre-war debts:

4 per cent pre-war loans	1 156 873.7	
3½ " " " " "	1 973 793.7	
3 " " " " "	1 674 882.2	
former Prussian Debts	9 541 788.8	
" Bavarian "	2 393 757.5	
" Saxon "	947 923.2	i)
" Baden "	622 762.7	
" Hessian "	532 766.1	i)
" Mecklenburg-Schwerin Debts	112 021.2	
Total I -	18 956 679.0	

II. War Debts:

5 per cent War Loan	44 706 885.1	
4½ " " Bonds	110.0	
4½ " " Treasury Bonds	6 158 779.9	
former Prussian debts	95 545.6	
Total II -	50 961 210.6	

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i) Including minor amounts of War and Post-War Debts.

PUBLIC DEBT OF THE REICH

Description.	1923 30 Nov.	31 Dec.	31 Jan.	29 Feb.	31 Mar.
I. TREASURY BONDS					
Paper Marks	96.9	2.0	1.0	0.0	0.0
Dollar Bonds	210.0	210.0	210.0	210.0	210.0
6% redeemable 1935	500.0	441.3	338.3	271.5	228.6
6% redeemable 1932	374.0	370.0	325.5	272.1	250.6
K - Treasury Bonds	40.0	39.1	31.9	31.5	31.4
E - Treasury Bonds	-	-	-	-	-
Treasury Bills in RM	-	-	161.7	195.4	148.9
Total	1,220.9	1,062.4	1,068.4	980.5	869.5
II. BANK DEBTS.					
Rentenbank non-interest bearing	200.0	200.0	200.0	200.0	200.0
Rentenbank interest bearing.....	565.0	1,000.0	900.0	900.0	900.0
Reichsbank 2)	235.5	235.5	235.5	235.5	235.5
Total	1,000.5	1,435.5	1,335.5	1,335.5	1,335.5
III. FOREIGN LOAN.					
110 million dollars	-	-	-	-	-
22 million pounds	-	-	-	-	-
25.2 million crowns	-	-	-	-	-
100 million lire	-	-	-	-	-
Total	-	-	-	-	-
IV. OTHER DEBTS.					
Further obligations to pay.....	27.4	27.4	27.4	27.4	27.4
Security given.....	467.2	467.4	457.9	453.8	447.7
Agricultural credits (Meliorationskredit)	-	-	-	-	-
Total	494.7	494.9	485.3	481.3	475.1
Grand total -	2,716.1	2,992.8	2,889.3	2,797.3	2,680.1

(1) Slight differences occur in the totals owing to the rounding off of the figures.

(2) (French pencil note) In virtue of the recent agreement mentioned in Annex 2122-c of the Reparation Commission, Report of the Organising Committee.

From the German
Translated - CFH
Checked - RB.

IN MILLIONS OF R.M. [1)]

1924						
30 Apr.	31 May	30 June	31 July	31 Aug.	30 Sept	31 Oct.
0.0	0.0	0.0	0.0	0.0	0.0	0.0
210.0	210.0	210.0	210.0	210.0	210.0	-
173.0	65.0	43.0	42.0	41.0	30.0	29.0
52.0	26.0	8.0	4.0	4.0	2.0	1.9
15.0	14.0	12.0	3.0	3.0	2.0	1.7
62.0	78.0	85.0	95.0	277.0	307.0	313.0
158.2	158.0	132.9	98.4	80.8	76.1	70.0 [2)]
670.2	551.0	490.9	452.4	615.8	627.1	415.6
196.4	196.5	196.5	196.5	196.5	196.5	196.5
900.0	1,000.0	1,000.0	1,000.0	1,000.0	1,003.5	1,003.5
235.5	235.5	235.5	235.5	235.5	235.5	235.5
1,331.9	1,432.0	1,432.0	1,432.0	1,432.0	1,435.5	1,435.5
-	-	-	-	-	-	462.0
-	-	-	-	-	-	417.9
-	-	-	-	-	-	28.2
-	-	-	-	-	-	18.3
-	-	-	-	-	-	926.4
27.4	27.4	27.4	27.4	27.4	18.6	18.6
458.5	459.8	444.0	436.1	455.7	461.0	461.3
-	3.0	6.0	6.0	6.0	6.0	9.0
485.9	490.2	477.5	469.5	489.1	485.6	489.0
2,488.0	2,473.2	2,400.4	2,353.9	2,536.8	2,548.2	3,266.5

DOC. 22

TRANSFER COMMITTEE

ECONOMIC SERVICE

BALANCE SHEET OF THE RENTENBANK ON NOVEMBER 30, 1924(*).

The following is a comparison between the balance sheet of the Rentenbank on November 30 1924 and that of September 30,1924.

ASSETS	Balance sheet on Sept.30,1924. (2)	Balance sheet on Nov.30, 1924. (1)	Differences between (1) & (2)
Charges on German industry	3 068 397 236	2 000 000 000	- 1 068 397 236
Amount of the Rentenbriefe on Sept.30, 1924 RM 2 399 837 000 Nov. 30, 1924 RM 1 999 844 000			
Loans to the Reich	1 200 000 000	1 200 000 000	-
Outstanding credits to be wound up	875 753 549.62	780 334 583.57	- 95 418 966.05
Cash in hand, transfers, postal cheques and bank credits	110 220 491.14	189 454 133.96	+ 79 233 642.82
Office supplies etc.	68 565.06	71 596.56	+ 3 031.50
Miscellaneous assets	-	-	
LIABILITIES			
Capital	2 400 000 000	2 000 000 000	- 400 000 000
Reserve	668 397 236	-	- 668 397 236
Rentenbank notes in circulation	2 075 590 150	1 980 178 583	- 95 411 567
Rentenbriefe in circulation	163 000	156 000	- 7 000

(*) Owing to the reorganisation in virtue of the Law of August 30, 1924 the Rentenbank did not publish a balance sheet for October.

In virtue of the Law of August 30 the capital of the Rentenbank has been reduced to RM 2 milliards. The definitive amount of the charges upon agriculture has not yet been fixed, as the new assessment operations are not concluded. The total of the Rentenbriefe held by the Bank corresponds, if those in circulation are added, to the capital of 2 milliards. The "Loans to the Reich", which in September were distributed over two items (non-interest-bearing loans and interest-bearing loans) have been grouped together under one heading.

The Agricultural credits (Meliorationskredit) of Rent M 6 millions which in September was included in the Loans to the Reich, was brought up to Rent M 9 millions, when the Law on the Liquidation of the Rentenbank notes was put into force. This item now appears under the heading "Outstanding credits to be wound up", on the understanding that it also is to be repaid in three years. The Reichsbank repaid Rent M 100 millions in November, and has transferred part of its agricultural portfolio to the Rentenbank. On October 11, 1924 (date of the coming into force of the Law of August 30, 1924), the credit of Rent M 72 millions opened with the private banks of issue had been drawn upon to the amount of Rent M 71 334 583. The account "Cash in hand, transfers etc." includes interest paid by agriculture, industry and commerce for the six months April - October, that is to say half the interest due; it further includes the interest paid by the Reichsbank and the Reich.

As regards the "Liabilities", Capital is shown at Rent M 2 millions only. The legal reserve has disappeared, in

accordance with the Liquidation Law. The amount of the notes in circulation has diminished by the 100 millions repaid by the Reich, but was swelled again at the beginning of October by the 3 million marks of the new agricultural credits (Meliorations-kredit), as also by the Rent M 1.6 millions accorded to the private banks of issue, within the limits of the credit opened in their favour.

As regards the Rentenbank notes and Rentenbriefe in circulation, these are the corresponding item to the Loans to the Reich and Outstanding Credits to be wound up in the Assets.

A S S E T S		compared with balance of 29 November 1924	compared with balance of 15 October 1924
1. Unissued shares of the Reichsbank	210,000,000	-	-
2. Gold Reserve (bullion and bars)	626,106,000	+ 619,000	+ 82,461,000
Reserve	480,774,000	+ 5,820,000	+ 19,292,000
On deposit abroad	255,532,000	- 4,701,000	+ 63,129,000
3. Currencies available as cover	232,055,000	+ 206,000	+ 27,494,000
4. Other bills and cheques	2,160,645,000	- 120,621,000	+ 15,702,000
5. Bills [illegible]	[illegible]	[illegible]	- 12,204,000
6. Notes of other Banks	15,697,000	+ 8,909,000	+ 15,697,000
7. Advances covered by pledges	8,135,000	- 10,493,000	- 7,812,000
8. Securities	77,535,000	+ 77,000	+ 368,000
9. Miscellaneous Assets	1,757,034,000	+ 101,682,000	+ 827,133,000

(From the French): translated NL: checked RB.

DOC. 23.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, December 12, 1924.

THE RETURNS OF THE REICHSBANK AS ON 6 DECEMBER 1924

The following is the comparison between the balance of the Reichsbank as on 6 December and the balance for the preceding week and the first balance published in accordance with the Law of August 30, 1924.

ASSETS		Difference as compared with balance of 29 November 1924	Difference as compared with balance of 15 October 1924
1. Unissued shares of the Reichsbank	210,000,000	-	-
2. Gold Reserve (bullion and bars)	696,106,000	+ 619,000	+ 82,481,000
Reserve	460,774,000	+ 5,320,000	+ 19,292,000
On deposit abroad	235,332,000	- 4,701,000	+ 63,189,000
3. Currencies available as cover	232,035,000	+ 206,000	+ 27,494,000
4. Other bills and cheques	2,169,645,000	- 120,521,000	+ 15,702,000
5. Small German coins	47,155,000	- 2,370,000	- 12,204,000
6. Notes of other Banks	15,697,000	+ 8,909,000	+ 15,697,000
7. Advances covered by pledges	8,135,000	- 10,493,000	- 7,812,000
8. Securities	77,885,000	+ 77,000	+ 368,000
9. Miscellaneous Assets	1,757,034,000	+ 101,682,000	+ 827,133,000

LIABILITIES		Difference as compared with balance of 29 November 1924	Difference as compared with balance of 15 October 1924
1. Capital			
a) Original Capital	90,000,000	-	-
b) Increase of Capital decided on	210,000,000	-	-
2. Reserve Fund	900,000	-	-
3. Notes in circulation	1,803,983,000	- 59,217,000	+ 407,235,000
4. Other liabilities payable at sight	970,710,000	+ 266,772,000	+ 142,199,000
5. Loan from the Rentenbank	613,783,000	- 70,881,000	- 186,217,000
6. Miscellaneous liabilities	1,524,316,000	- 158,565,000	+ 585,642,000
Re-discounted bills payable in Germany.	448,557,000	+ 51,000,000	+ 192,357,000
"Gold" cover	38.6 %	37.3% (1)	43.9% (2)
"Gold & foreign exchange" cover	51.4 %	49.8%	58.6%

(1) Cover as on 29 November 1924
(2) Cover as on 15 October 1924

"Other bills and cheques" and "Advances covered by pledges" have diminished by R.M. 130.9 millions in all, the Reichsbank having increased its re-discounted bills to R.M. 448 millions - an increase of 51 millions compared with the preceding week - and remitted bills for Rent.M. 70 millions to the Rentenbank in repayment of the Loan from the latter.

The Reichsmark notes in circulation have diminished by R.M. 59.2 millions, while the Rentenmark notes in circulation have diminished by Rent. M. 19.7 millions, so that the assets of the Reichsbank in Rentenmark notes are Rent.M. 322.5 millions as compared with 302.8 millions in the preceding week.

The increase of "Miscellaneous assets" is apparently due to a fresh payment to the Bank of a portion of the foreign loan.

The decrease of the "Miscellaneous liabilities" is attributed by the Press to a withdrawal of funds (the amount has not been published) from the special blocked account in the name of the Agent General for Reparation Payments, which comes under this head.

The sums thus withdrawn represent the greater part of the increase in deposits, which amount to R.M. 970.7 millions, or R.M. 266.8 millions more than in the preceding week.

From the French
Translated - ML
Checked - RB.
ML.

DOC. 24

TRANSFER COMMITTEE

ECONOMIC SERVICE

SHORT NOTE ON THE FINANCIAL RELATIONS BETWEEN THE REICH, THE STATES AND THE COMMUNES.

LEGISLATION.

As far as the income is concerned, the relations between the Reich, the States and the Communes are regulated by the Law of June 23,1923, known as the Finanzausgleichsgesetz or Financial Adjustments Law (Reichsgesetzblatt I, page 494) and by the Third Emergency Tax Decree (Steuernotverordnung) of February 14, 1924 (Reichsgesetzblatt I, page 74) *. These enactments determine the taxes belonging to the States and Communes, and fix the sums to be refunded by the Reich from its own taxation. They contain certain provisions regarding the distribution of the expenditure; but other special laws also deal with the subject.

I. DISTRIBUTION OF INCOME.

A. Taxes collected by the States and the Communes.

In principle, the States and Communes may impose any tax which is not levied by the Reich, on the following conditions :

a) The tax must not be contrary to the constitutional Laws;

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* The legislation at present in force will be altered in the near future. An amendment to the Finanzausgleichgesetz is to be proposed in the new Reichstag.

b) The collection of supplements to the taxes of the Reich must be authorised by special laws of the Reich;

c) The taxes of the States and the Communes must not be of a kind to prejudice the income of the Reich. The Finance Minister of the Reich has the right, within a certain time-limit, to oppose new taxes established by the States and the Communes. In the event of disagreement between the Minister and the States, the decision rests with the High Senate of the Reichsfinanzhof in the case of a) and b) and with the Reichsrat in the case of c).

Taxes on various kinds of income (Ertragssteuern).

The taxes on landed property (Grundvermögen) and on trades and professions (Gewerbebetrieb) belong to the States, who may either collect them on their own behalf, or leave them to the Communes, or authorise the latter to collect supplements on these taxes. They may not be levied on the tax-paying capacity of the individual, which is treated as a reserved source for the Income Tax (Einkommensteuer) of the Reich.

Taxes on means of communication (vehicles, etc.)

The States are obliged to collect a tax on means of transport, with the exception of motor vehicles, which are already covered by the tax of the Reich. The proceeds from the tax must be employed for the improvement of ways of communication.

Amusements Taxes.

The Communes are obliged to collect a tax on amusements (see Regulations of the Reichsrat dated July 7, 1923 - Reichsgesetzblatt I, page 583).

Each State may, however, collect the tax and fix a method for distributing the revenue arising therefrom between the Communes, the Communal Associations and itself.

Taxes on beverages.

The Communes may levy taxes on beverages within the limits fixed by law (see Decree of November 24, 1923 - Reichsgesetzblatt I, page 1121).

Tax on Rents (Mietzinssteuer).

The State and the Communes may collect a tax on rents (Third Emergency Tax Decree). Ten per cent, at least of the proceeds must be devoted to the construction of new houses.

The States and Communes are forbidden to levy taxes on the working equipment used for agriculture and industry. The tax on increment to the value of landed property (Wertzuwachssteuer) and the tax collected for the benefit of religious societies are both subject to special regulations.

The States have also at their disposal the income arising in connection with their own administration and the profits from exploitations run by themselves (monopolies, domains, etc).

B. Sums refunded by the Reich to the States and Communes.

The nature and amounts of these refunds are indicated in the following table:

Nature of the Tax.	Percentage reserved for the States	Percentage refunded to the Communes by the States.	Observations
Income Tax and Corporations Tax (Einkommensteuer) (Körperschaftssteuer)	90%*	Fixed by the legislation of each State.	
Land Purchase Tax (Grunderwerbsteuer)	100%	The States refund half of their share to the Communes.	The States and the Communes may in certain cases collect supplements on this tax.
Turnover Tax (Umsatzsteuer) including Luxury Tax	20%*	Fixed by the legislation of each State.	
Tax on Motor Vehicles (Kraftfahrzeugsteuer).	96%**	Not shared by the Communes	The State must assign at least half of the refunds to the upkeep of roads.
Tax on Betting (Rennwettsteuer).	100%	.....	One third of the refunds must be assigned for the improvement of horse breeding.
Stock Exchange Tax *** (Börsenbesuchssteuer Börsenzulassungssteuer).	100%	.....	

* By a provision of the Decree of November 10, 1924 (Deutscher Reichsanzeiger No. 266) the States are guaranteed, as from December 1924 until the end of March 1925, monthly refunds in respect of the Income Tax, the Corporation Tax and the Turnover Tax, at least equal to the average refunds received by them during August and September 1924.

** 100 per cent. - 4 per cent. (for costs of recovery).

*** This tax will be abolished as from January 1, 1925.

II. DISTRIBUTION OF EXPENDITURE.

It is almost impossible completely to enumerate the expenditure borne by the Reich, the States and the Communes. We give below a classification of the principal items.

A. Expenditure borne entirely by the Reich.

a) Expenditure connected with the administrative and financial organisation of the Reich (salaries, pensions and relief of various kinds to officials, employees and workmen);

b) Army and Navy;

c) War pensions (pensions to the mutilated and to the families of those killed in the war);

d) Expenditure incurred directly or indirectly in execution of the Peace Treaty;

e) Public Debt;

f) Expenses for construction and upkeep in connection with certain waterways.

In the case of Justice and Public Instruction, the Reich ensures the upkeep of various administrations (Court of Leipzig, etc).

B. Expenditure borne entirely by the States and Communes.*

a) Expenditure connected with the administrative organisation of the States and Communes;

b) Expenditure for Public Instruction;

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* The distribution of this expenditure between the States and the Communes is regulated by the internal legislation of each State.

c) Expenditure for the Administration of Justice;

d) Expenditure for the Police;*

e) Expenditure for Social Relief -**

Relief to State pensioners
Relief to persons with small fixed incomes
Relief to persons wounded and mutilated in the war
Relief to indigent minors
Relief to women during confinement
Relief to refugees
Relief to victims of riots or internal disturbances
Poor relief in general;

f) Expenditure for important works (canals, etc.) undertaken by the State.***

C. <u>Expenditure shared among the Reich, the States and the Communes.</u>

a) State pensioners: The contribution of the Reich is fixed at 36 marks per pension for disablement or old age, and at 24 marks per pension in the case of orphans.

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* Expenditure for the Police was laid to the charge of the States by the Third Emergency Tax Decree. Provision is made for a contribution by the Reich in the Budget for the financial year 1924-1925.

** Laid to the charge of the States and Communes by the Third Emergency Tax Decree.

*** In the case of specially important works, subsidies are granted by the Reich.

b) Unemployment relief: Productive relief to the unemployed is entirely borne by the Reich and the States. Expenditure for unemployment relief is covered by contributions from employers, workmen, the Communes, the States and the Reich in accordance with special procedure.

From the French: Translated BWS: Checked RB.

DLC.

Doc. No. 25

DR. SCHACHT'S SPEECH OF 15 DECEMBER 1924 TO THE BANKERS

(Berliner Tageblatt No. 596 of 16 December 1924)

At a banquet given by the Zentralverband des deutschen Bank-und Bankiergewerbes yesterday evening at the Kaiserhof, the President of the Reichsbank, Dr. Schacht, made a speech of the very greatest general interest. Among the distinguished guests were the President of the Reich, the Minister of Economic Affairs of the Reich, Dr. Hamm, the Prussian Finance Minister, Dr. von Richter, numerous Secretaries of State and members of nearly all the parties in the Reichstag. Banking and industry were represented, among others, by Franz von Mendelssohn, Dr. Arthur von Gwinner, Max Warburg, Borsig, von Schwabach, etc. The text of the speech, the manuscript of which is in our possession, is as follows:

"It is a great pleasure to me to be allowed to speak to you this evening. I have been one of you for more than twenty years and know from personal experience what you have gone through during the last few years, which have been so fraught with anxiety and trouble for all - and not least for the German banking world. The Banks have been more directly affected by the terrible period of inflation than many other businesses which were in a better position to take refuge in material values (as they were called in contrast to money values), and were able to do so at an earlier stage than we. Many of our compatriots are now beginning to forget about the period of inflation; but I am convinced that the bankers of Germany will not so soon forget it. We, in our profession, are daily reminded of the tremendous sacrifices of energy and helpful-ness the Banks have had to suffer. Nevertheless, the banking business in Germany can still hold up its head; for it saved from that bad time something more precious than either

money or goods - I mean its good name and the respect it inspires to-day, as always, on account of the personal and moral character of its members. I think you will all agree with me, when I say that much of this is due to the Zentralverband des deutschen Bank-und Bankiergewerbes, and not least to the very excellent Management which it has been fortunate enough to command ever since it was first founded. You, Herr Geheimrat Riesser, are largely responsible for the fact that to-day, after all the crushing blows they have received, the German Banks have preserved their reputation and their credit at home and abroad. You have earned the gratitude, not only of your colleagues, but of the German people and of the Reich; and I am pleased and proud to be able to express to you that gratitude to-day, in the name of the Reichsbank.

"Gentlemen, the path which the Banks of Germany will have to tread in the near future is by no means a rosy one. You will need all your ability and all your energy, if you are to do for the country even a fraction of what the Banks have done in the past. We shall, however, have at least one piece of firm ground to stand on ... we have our currency. I cannot of course prevent speculators from questioning the stability of the German currency; but I may point out that, under the new Bank Law, the Reichsbank is the sovereign controller of our currency, and I do not believe that any Management of the Reichsbank will ever again be found which is not determined to maintain the gold parity and to force the commercial world to make their arrangements accordingly, instead of doing what amounts to the opposite, that is to say, adapting the currency

to commercial fluctuations. That may sound hard; but I am firmly persuaded that it is only by taking such a line that we shall be able to call forth once more those economic forces, which will enable us to maintain a favourable external trade balance without injuring our currency. Until the country as a whole is as convinced of this, as I am myself, we shall not be able to attain our object of restoring our commerce with other countries to its former prosperity.

Foreign credits are now flowing into the country more freely, although, as far as I can see, they are all so far more or less short-term credits, and the danger that they may be temporarily called in, if rates of interest go up abroad, cannot be ignored. It is for this reason that the Reichsbank has thought it wise to secure and accumulate the greater part of the foreign exchange being received in the way of credits, so as to be able to place it at the disposal of German business, should credits be called in at any time. The gold and foreign exchange reserve of the Reichsbank, which we do not for the present show in our returns, except in so far as it is used as cover for the fiduciary issue, now amounts to over 2 milliards of marks. We have therefore in this reserve a sound cover for the current foreign credits. I must, however, warn those who are taking up credits that the Reichsbank might at any time consider itself justified in refusing to hand over this foreign exchange for new bills, and might demand Reichsmarks for them. This is one reason among many for insisting on the necessity of foreign credits being used for productive purposes.

Happily, after a long period of marked weakness, the position of the internal money market is also slowly improving. The assets of the Banks, the Public Savings offices, the Co-operative Societies, and the Postal Service of the Reich have, according to the statistics at the disposal of the Reichsbank, increased about two-fold since the beginning of the year, being now roughly about 6½ milliards of marks. Of course, most of this money is not made up of savings; indeed, the proportion of the deposits and savings, in the strict meaning of the term, is much smaller than before the War. Nevertheless, the country is beginning once more to retain considerable sums in disponible form, which during the period of inflation they were unable to do.

The effect of this upon the rates of interest is also beginning to make itself felt, although to a limited extent; and there is a tendency to approach the discount rate of the Reichsbank. The Reichsbank has itself been considering the possibility of reducing its discount rate. As no one expects a change in the discount rate before the end of the year, I may be allowed to say a few words about it.

The Reichsbank is still working along the lines of restriction of credits, although there has been an extension of more than 15 per cent, since 7 April 1924, if the advances of the Golddiskontbank are included. Theoretically, it would of course be possible, with a system of restriction of credits, to discount at 5 per cent; but it must always be the aim of a bank of issue to bring the rate of discount more or less into line with the rates of interest obtaining on the private

capital market. I should therefore like to see the efforts of the Reichsbank to create a private discount market receive rather more support from the banks than has hitherto been the case. The Reichsbank will, in any case, make every effort to restore the private discount market. When the private discount market is restored - and not before - it will be seen whether the question of a reduction in the discount rate is actual or not.

"In any case, it should be the aim of every one of us to bring about a reduction of interest and bank charges, in order to increase the commercial productiveness of the country. Hitherto, increase of production has been accompanied by swelling of the labour market; that is to say, the increase of production has been extensive instead of intensive. Our commercial balance is still so unfavourable that we have continually to be on our guard against the economic and social effects.

"There is however always this to be said that, since the Reichsbank introduced in April last the policy of restricting credits, the level of prices in Germany, which were disproportionately high during the first few months of the year in relation to world market prices, has followed the development of world market prices more closely in the last eight months. For all this, increase of our productive capacity still remains the first task of German business; and I hope that the efforts of the economic leaders of Germany to bring about this increase by improvements in organisation and technique may shortly be crowned with success.

"Gentlemen, the German Ship of State has been terribly battered about in the storms it has braved during the last few years. The crew has succeeded in constructing a raft on which it has escaped. We cannot surely now start wrangling about which flag this raft is to fly. Our paramount duty is to bring the raft safely into harbour, where we can set to work to refit the ship for our next voyage. I wish the German people would learn the one thing necessary for grand scale politics - patience. We shall not be saved by a miracle; but character and industry and sound work have never yet failed to obtain the help of the gods and to be crowned with success. A long-forgotten German poet has put this thought into words after the manner of his time:

No miracles expect!
Life hurries to its close;
No chances offer twice;
Thou wilt not live again.
No miracles expect!
The gods help only those,
who pay the gods their price
in toil and moil and pain.

That ability and industry may be, in the future as in the past, the pride of the German banking world, be our toast to-day. I raise my glass to the banking business of Germany and the Zentralverband des deutschen Bank-und Bankiergewerbes and its Chairman! Hoch! Hoch! Hoch!

From the German
Translated - NL
Checked - RB
QW.

DOC. 26

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN.

WEEKLY BALANCE SHEET OF THE GOLDDISKONTBANK

The balance sheet of the Golddiskontbank for December 15, 1924 is given below, and compared with the balance sheet of 6 December 1924.

	Balance sheet for 15 Dec. 1924	Difference between the balance sheets of 15 Dec. 1924 and 6 Dec. 1924
ASSETS	£ s d	£ s d
1. Gold reserve	- - -	- - -
2. Foreign Bank Notes	48. 19. 0	+ 1. 0. 0.
3. Foreign bills payable at sight	1 012 899. 8. 2	+ 374 728. 13. 7.
4. Bills and cheques	6 309 853. 14. 7	- 347 595. 7. 3.
of which at short term	620 232. 13. 1	- 334 878. 11. 2.
5. Share capital not yet paid up	3 280 800. 0. 0	- - -
6. Other assets	59 445. 4.10	+ 1 971. 6. 8.
LIABILITIES		
1. Original capital	10 000 000. 0. 0	- - -
2. Reserve fund	- - -	- - -
3. Banknotes in circulation	- - -	- - -
4. Bonds payable at sight	146 271. 18. 2	+ 27 684. 2. 3.
5. Other liabilities	516 775. 8. 5	+ 1 421. 10. 9.
Rediscounts	2 482 687. 14. 3	- 487 045. 19. 2.

Rapid progress is being made with the liquidation of the Golddiskontbank. "Bills and cheques" and "Rediscounts" have decreased by £ 834 641.

EFD

DOC. 27.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, December 17, 1924.

DISTRIBUTION OF THE CHARGE IMPOSED ON GERMAN INDUSTRY

In the Vössische Zeitung of 16 December 1924, Dr. Erich Eyck explains the proposals for the distribution of the Reparation charge imposed on German industry. We give below the main points of this article, with special reference to the second part, where the author defines the nature of the "public law" charges borne by industry.

"The Finance Minister of the Reich has published the figure which is to be the basis for the distribution of the charges imposed on industry under the Laws promulgated in execution of the London Protocol. The figure has been fixed at 17.1 per cent. of the working capital (Betriebsvermögen) of the concerns subject to the charge. To appreciate what this decision means, it is necessary to understand the whole organisation of the charge on industry.

"The question is dealt with in two laws: the Industrial Charges Law of 30 August 1924 (Industriebelastungsgesetz) and the Law regulating the Imposition of the Charge on Industry of the same date (Aufbringungsgesetz). These two Laws are closely connected one with the other. They deal with the same problem from two different points of view, but .....
THEY DO NOT ALWAYS COVER THE SAME GROUND.

"The Industrial Charges Law is conceived "to the address of" the Allied Powers, to whom Germany has to make reparation payments. Its purpose is to provide the Allies with a guarantee that they will receive the five milliard gold marks which have been promised. The Aufbringungsgesetz on the other hand is concerned with Germany alone. Its purpose is to collect the funds required for the fulfilment of the obligations which German industry has undertaken, and so to prevent the Allies from having recourse to the pledges indicated in the Industrial Charges Law. To give an illustration from private law, the first Law resembles a deed signed by an insolvent debtor, in which he places his tangible assets at the disposal of his creditors in the event of failure to meet his current liabilities. The other Law resembles an agreement between this debtor and a group of friends supporting him, who jointly guarantee the payment of the current liabilities. . . . . .

"It is for this reason that the persons liable to the charge are very differently defined in the two Laws. The definition of the Aufbringungsgesetz is wider, so as to include industries which are not covered by the Industrial Charges Law.

"The charges laid down in the Industrial Charges Law are borne by industrial concerns, shipping concerns and private railways. Other transportation concerns, - agriculture, banks, insurance firms and hotel keepers, as well as ordinary trading concerns - are excluded. The Dawes Committee and the

International Commission called upon to put its proposals into execution wished to include only those branches of industry which, in view of the character and importance of their property and plant, were specially qualified to offer security for the obligations imposed. This point of view, however, ceases to be applicable when one proceeds to consider the problem of the imposition of the burdens in Germany. From the stand-point of the German finances, all branches of industry must be included, if they are in a position to hand over a proportionate part of their income. The question of security is unessential from the point of view of the financial authorities. Consequently the Aufbringungsgesetz includes the transport industry, banks, insurance firms and hotel keepers as well as exclusively commercial concerns. Both laws exclude agriculture. From yet another point of view, the definition of the persons liable to the charge differs in the two laws. The Industrial Charges Law fixes 50,000 gold marks as the minimum amount of working capital, on which the burden is imposed (§4). The Aufbringungsgesetz reduces this limit to 20 000 gold marks (§3).

"What is the nature of the charge imposed by the Industrial Charges Law ? The original idea of the Dawes Committee was to encumber the individual German concerns with first mortgage debentures, which would have been handed over to the Trustee. Subsequent negotiations altered this plan at two points. In the first place, the Bank für Industrie-Obligationen was created and interposed between the German industry and the foreign creditors. This Bank receives the debentures of the

German concerns, and then hands over industrial bonds to the foreign Trustee. In this way the putting into circulation of an enormous number of debentures by a variety of widely different concerns is avoided; and a unified form of paper is obtained, which is much better adapted for circulation. Something certainly remains of the original idea of the Dawes Committee. The largest German industrial concerns, the joint charge on which totals 1.5 milliards of gold marks, issue individual debentures a part of which, to the nominal value of 500 million gold marks, may be negotiated by the Trustee (§13). Thus, debentures signed by some of the largest German industrial concerns may under certain circumstances be put into circulation abroad.

"The second alteration is connected with the nature of the charge. It is not a mortgage under private law which is imposed on the German concerns, but a public-law charge, with special characteristics. The idea of a public charge emanated from Professor Flechteim, who took part in the negotiations as member of the Managing Board of the Reichsverband der Deutschen Industrie. The substance of the charge on any concern is not its share of the capital sum of five milliards demanded of German industry, but the interest and sinking fund payments which it has to make on its share. It is of supreme importance in the whole scheme of the charge that this should be so. It means that the burden on German industry is not a capital charge fixed once and for all, but an annuity changing periodically in amount. At intervals, which are not yet fixed for the first five years, but

which must then amount to at least two years (§6 Industrial Charges Law), the charge will be re-distributed. The Government will determine the percentage of working capital for which each concern must guarantee the service of interest and sinking fund payments (§5 and 6 of the Industrial Charges Law). The first distribution will be based on the working capital as assessed for Vermögensteuer for 1924. As the percentage is fixed at 17.1 per cent., a concern with working capital to the amount of 2 million gold marks must guarantee the service of interest and sinking fund payments on 342 000 gold marks. No interest is payable during the year beginning 1 September 1924 and ending 31 August 1925. During the second year, the rate of interest is 2-1/2 per cent. and during the third year 5 per cent. As from the fourth year, a sinking fund payment of 1 per cent. is added to the 5 per cent. for interest. Thus, in the case of the example chosen, the concern is liable in the year from 1 September 1925 until 31 August 1926 for 8 550 marks, in the following year for 17 100 marks interest, and subsequently for 17 100 marks interest plus 3 400 marks sinking fund payment.

"At the time of the next distribution, this sum may be altered on two grounds, (a) if the total German working capital liable to the charge has varied, and (b) if the working capital of the individual cohcern has changed ..... This explains the solution adopted with regard to the liability of a concern in the event of sale or liquidation. In the event of sale, the purchaser is responsible in the place of the vendor for the

liabilities for the current year, and for those falling due up to the end of the calendar year in which a new distribution will probably take place. It is the same in the event of liquidation. (§49 Industrial Charges Law) ..... The prior right enjoyed by the Bank für Industrie-Obligationen and the Trustee in the event of bankruptcy applies also to these liabilities. It is thus impossible for a concern to be required under any circumstances to produce the whole capital amount of the charge.

"All these amounts and rates, however, apply only to the liability to the Allies and not to the payments which the concern is actually bound to make. These last are defined in the Aufbringungsgesetz. The figures (which are bound to be different since, as explained above, the concerns liable to the charge are not the same) are not yet known. But 17.1 per cent. is, in any case, the authoritative rate for the debentures, which every mortgaged concern has now to issue."

From the French
(Checked by the original German)
Translated - BWS
Checked - RB
KL.

THE RETURNS OF THE REICHSBANK AS ON 15 December, 1924.

The following is the comparision between the balance of the Reichsbank as on 15 December, and the balance for the preceding week and the first balance published in conformity with the law of 30 August 1924.

ASSETS

	In thousands of marks	In thousands of Marks Difference as compared with balance of 6 December 1924.	Difference as compared with balance of 15 November, 1924.
1. Unissued shares of the Reichsbank	210 000	-	-
2. Gold Reserve (bullion and bars)	696 185	+ 79	+ 82 560
Reserve	465 553	+ 4 779	+ 24 071
On deposit abroad	230 632	- 4 700	+ 58 489
3. Currencies available as cover	232 061	+ 26	+ 27 520
4. Other bills and cheques	2 079 028	- 90 617	- 74 915
5. Small German coins	48 205	+ 1 050	- 11 254
6. Notes of other banks	25 405	+ 9 708	+ 25 405
7. Advances covered by pledges	17 234	+ 9 099	+ 1 287
8. Securities	78 656	+ 771	+ 1 139
9. Miscellaneous assets	1 837 993	+ 80 959	+ 908 092

LIABILITIES.

1. Capital			
a) Original capital	90 000	-	-
b) Increase of capital decided on	210 000	-	-
2. Reserve fund	900	-	-
3. Notes in circulation	1 723 226	- 80 757	+ 326 478
4. Other liabilities payable at sight	1 131 670	+ 160 960	+ 303 159
5. Loan from the Rentenbank	513 802	- 99 981	- 286 198
6. Miscellaneous liabilities	1 555 169	+ 30 853	+ 616 495
Re-discounted bills payable in Germany	473 800	+ 25 243	+ 217 600
"Gold" cover	40.4 per cent	38.6 per cent (1)	43.9 per cent (2)
"Gold" and foreign exchange cover	53.9 per cent	51.4 per cent	58.6 per cent.

(1) Cover as on 6 December 1924.
(2) " " " 15 October 1924.

Bills and cheques show a reduction of RM 90.6 millions, which may be explained as follows. The Reichsbank remitted 100 millions, in the form of bills in Rentenmarks, to the Rentenbank as repayment for its advances. On the other hand it has increased its rediscounts in Germany to RM 474 millions, which is an increase of RM 25 millions as compared with the preceding week. Discounts shew an increase of RM 34.6 millions.

The circulation of Reichsmark notes shows a reduction of M. 80.8 millions. The circulation of Rentenmark notes has decreased by 19.4 millions, with the result that the Rentenmark notes held by the Reichsbank have increased from RM 322.5 millions to RM 342 millions.

The item "Miscellaneous Assets" shows an increase of RM 81 millions, which is partly due to the transfer of a further portion of the External Loan.

Deposits have increased by RM 161 millions as compared with the preceding week.

From the French
Translated -JMP,
Checked - RB.

DR.

DOC. 29.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, December 28, 1924.

NOTE ON THE PROVISIONAL BALANCING OF THE BUDGET FOR THE FINANCIAL YEAR 1924-1925.

(Law of 28 July 1924)

Under the Law of 18 March 1924 (Reichsgesetzblatt page 67) on the "Provisional balancing of the Budget for the financial year 1924-1925", the Government was authorised to incur until 15 June 1924 the expenditure necessary for the administration of the Reich. Under the Law of 12 June (Reichsgesetzblatt II page 129) this authorisation was extended until 31 July 1924. The Reichstag having been unable before 31 July 1924 to discuss or vote the draft Budget (which had been laid before it on 3 June) authorised the Government, under the Law of 28 July 1924 (Law on the further provisional balancing of the budget for the financial year 1924-1925 - Reichsgesetzblatt II page 171), to carry out the programme of income and expenditure provided for in the draft Budget, with the exception of any items contrary to the decisions of the Reichstag or of one of its Commissions. (1)

Under the Laws of 18 March, 12 June and 18 July, the Finance Minister is authorised

(1) A draft Supplement (Nachtrag) to the 1924-1925 budget was recently voted by the Reichsrat and will shortly be submitted to the new Reichstag.

a) to issue Treasury Bonds up to a total amount of 469.7 million gold marks, in order to cover the deficit anticipated in the budget;

b) to issue Treasury Bonds up to a total amount of 300 million gold marks, in order temporarily to swell the working funds of the Reichshauptkasse;

c) to issue Treasury Bonds up to a total amount of 180 million gold marks. These Bonds are intended to be remitted in payment (under the Liquidationsschädengesetz and the Gewaltsschädenverordnung) to German nationals who have suffered loss, and also to be used for the repayment of the British Recovery Duty.

FIGURES OF THE DRAFT BUDGET.

The figures in the draft Budget voted under the Law of 28 July 1924 may be tabulated as follows :

	Ordinary Budget			Extra-ordinary Budget.		Total	
	Income	Expenditure re-current	Expenditure non-recurrent	Income	Expenditure	Income	Expenditure.
	in millions of gold marks.						
Votes for the General Administration of the Reich	5 358.0	5 118.0	240.0	733.0	733.0	6 091.0	6 091.0
Votes for the execution of the Peace Treaty.	461.6	461.6	-	179.9	179.9	641.5	641.5

A - VOTES FOR THE GENERAL ADMINISTRATION OF THE REICH.

Actual Expenditure.

The figures shown in the above table ("Figures of the Draft Budget") do not represent the actual income or expenditure. They represent purely accounting transactions (transfers from Vote to Vote or from Budget to Budget), and are made up as follows :

a) Transfer from the Ordinary Budget (Votes for the General Administration of the Reich).

	millions of gold marks
1) to the Extra-ordinary Budget (Votes for General Administration of the Reich)	10.7
2) to the Extra-ordinary Budget (to redeem Gold Loan)	100.0
3) to the Ordinary Budget (Votes for execution of the Peace Treaty)	170.3
Total	281.0

b) Transfers from the Extra-ordinary Budget (Votes for the General Administration of the Reich).

1) to the Ordinary Budget (Votes for execution of the Peace Treaty)	291.3
2) to the Extra-ordinary Budget (Votes for execution of the Peace Treaty)	178.4
	469.7

By deducting from the total (unadjusted) figures the amount of these transfers, the following figures are obtained for

the actual expenditure under the Votes for the General Administration of the Reich :

	Ordinary Budget.	Extraordinary Budget.	Total
	millions of gold marks		
Gross (unadjusted) expenditure	5 358.0	733.0	6 091.0
Deduct transfers	281.0	469.7	750.7
Net (actual) expenditure	5 077.0	263.3	5 340.3

A c t u a l I n c o m e.

The (unadjusted) figures of income in the Extraordinary Budget (Votes for General Administration of the Reich) include several sums derived from transfers from the Ordinary Budget, or from the proceeds of the Loan :

	millions of gold marks
1) Transfer from the Ordinary Budget (Votes for General Administration of the Reich)	10.7
2) Transfers from the Ordinary Budget (Votes for General Administration of the Reich) (Redemption of Gold Loan)	100.0
3) Proceeds of loan (covering deficit)	469.7
T o t a l	580.4

The figures for the actual income under the Votes for the General Administration of the Reich may therefore be tabulated as follows :

	Ordinary Budget.	Extraordinary Budget.	Total
	millions of gold marks.		
Gross (unadjusted) income	5 358.0	733.0	6 091.0
Deduct	-	580.4	580.4
Net (actual) income...	5 358.0	152.6	5 510.6

Placing side by side the actual income and the actual expenditure under the Votes for the General Administration of the Reich, we have :

	Ordinary Budget	Extraordinary Budget.	Total.
	millions of gold marks.		
Actual income	5 358.0	152.6	5 510.6
Actual expenditure	5 077.0	263.3	5 340.3
Surplus (+) or deficit (-)	+ 281.0	- 110.7	+ 170.3

B - VOTES FOR THE EXECUTION OF THE PEACE TREATY.

The expenditure under the Votes for the execution of the Peace Treaty amounts to :

	millions of gold marks
Ordinary Budget	461.6
Extraordinary Budget	179.9
T o t a l	641.5

against which is to be set -

a) Income under these Votes	1.5
b) Surplus from Votes for the General Administration of the Reich	170.3
c) Loan (covering deficit)	469.7
T o t a l	641.5

PRINCIPAL ITEMS OF INCOME AND EXPENDITURE.

A) VOTES FOR THE GENERAL ADMINISTRATION OF THE REICH.

millions of gold marks.

Income of the Ordinary Budget 5 358

Of this amount, 5 243.7 million gold marks are derived from the revenue from taxation (see details in Annex 1).

The balance of 114.3 million gold marks represents the incomings from the Public Services : We may cite :

Taxes of the Ministry of Foreign Affairs....	25.9
Receipts of the Ministry of Transport	19.4
Miscellaneous receipts of the Finance Ministry	25.8
Contributions to the service of the interest on the Public Debt -	
by the Reichsbahn	12.3
by the Reichspost	2.6
Surplus on the working of the State Printing Office	1.4

Income of the Extraordinary Budget ... 152.6

The principal items are -

Contributions to the service of the interest on the Public Debt - by the Reichsbahn	17.0
by the Reichspost	2.8
Repayment of loans made to poorer States.....	30
Repayment of loans made to States for housing schemes	12.5
Proceeds from the Mint	90

Expenditure of the Ordinary Budget ... 5 077

Of this expenditure, the transfers of taxes made by the Reich to the States represent 1 861.6

made up as follows :- millions of gold marks

Income Tax (Einkommensteuer)	1 209.6
Corporation Tax (Körperschaftsteuer)	129.6
Turnover Tax (Umsatzsteuer)	288.0
Tax on conveyance of landed property (Grunderwerbsteuer)	144.0
Tax on automobiles (Kraftfahrzeugsteuer)	48.0
Tax on betting (Rennwettsteuer)	38.4
Bourse Tax (Börsensteuer)	4.0
T o t a l	1 861.6

The balance of 3 215.4 million gold marks is distributed as follows among the principal votes :

	Expenditure		
	Recurrent	Non-recurrent	Total
	millions of gold marks.		
Ministry of Foreign Affairs	34.5	2.4	36.9
Ministry of the Interior	204.3	10.8	215.1
Ministry of Labour	444.7	-	444.7
Ministry of Defence (Army & Navy)	400.1	54.9	455.0
Ministry of Transport	76.9	27.8	104.7
Pensions	894.3		894.3
Public Debt	206	0.6	206.6
Finance Ministry	322.9	16.9	339.8
General Finance Administration	360.8	113.4	474.2
State Printing Office		11	11
Miscellaneous	30.9	2.2	33.1
T o t a l	2 975.4	240	3 215.4

Of the particular items of expenditure under each of these votes, the following may be indicated :

The greater part of the expenditure of the Ministry of the Interior is for the Police Force (190 million gold marks).

Of the expenditure of the Ministry of Labour, 106.9 millions are for social insurance, and 280 millions for productive relief work and unemployment.

The expenditure on the Public Debt comprises 189.3 millions for the service of the interest. The costs of administration amount to 13.6 millions.

The expenditure of 894.3 millions of the Ministry of Pensions is distributed as follows : 44.5 millions for civil pensions and 848.8 millions for military and war pensions.

The expenditure of the Finance Ministry is largely expenditure on staff.

Of the 360.8 millions constituting the recurrent expenditure of the German Finance Administration, 300 millions are assigned to increases in salaries, wages and pensions during the financial year; 25 millions to the costs of postage for the whole Administration. The non-recurrent expenditure is almost entirely composed of two grants of 60 and 50 million gold marks respectively, the former being a subsidy to certain of the States in respect of unemployment relief, and the latter being for purposes of public relief.

	millions of gold marks
Expenditure of the Extraordinary Budget	**263.3**

These 263.3 million gold marks are made up chiefly of the following items :

Ministry of Transport (Department of Waterways)	51.4
Sinking Fund expenditure	119.8
Expenditure under Votes for the General Administration of the Reich (consequences of the War, compensation to ship-owners, costs of the Ruhr).....	77.5

B) VOTES FOR EXECUTION OF THE PEACE TREATY.

Income exclusive to Votes for execution of the Peace Treaty (miscellaneous)	1.5
Expenditure under Votes for execution of the Peace Treaty	641.5

This expenditure may be classified as follows :

	millions of gold marks
1) General expenditure on Reparation account (1)	72
2) Payments under the Treaty other than Reparation payments strictly so-called (deliveries in kind, dismantling, restitutions, etc.)	10.2
3) Internal expenditure	
a) directly involved by the Treaty (internationalisation of rivers and frontier stations, etc)	13.5
b) Indirectly involved by the Treaty (2) (compensation to German nationals, refugee relief, etc.)	129.0
c) Miscellaneous	40.7
4) Armies of Occupation	324.7
5) Interallied Commissions	51.4
T o t a l	641.5

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(1) These 72 millions are intended -
a) to pay back to the Reichsbank the loan of 52 millions made by it to the Reich for the payment of the Belgian Bond of $ 11.7 millions, which matured on 15 June 1923:
b) to redeem the 20 millions in Treasury Bonds maturing during the financial year. These Bonds were remitted to German nationals in payment of deliveries in kind.

(2) Including the redemption of 22 millions of Treasury Bonds maturing during the financial year (bonds remitted to German nationals as compensation for losses incurred by them).

Annex

BUDGET ESTIMATES OF REVENUE FROM TAXATION.

I. TAXES ON PROPERTY, TRAFFIC, TRADE AND TRANSFER (Besitz- und Verkehrsteuern)

Recurrent taxes:		millions of gold marks
1) Income Tax (Einkommensteuer)		1 344
2) Corporation tax (Korperschaftsteuer)		144
3) Tax on the Income from Capital (Kapitalertragssteuer)		-
4) Tax on Fortunes and Supplement (Vermögenssteuer u. Zuschlag)		376
5) Tax on increment (Vermögenszuwachssteuer)		-
6) Death Duties (Erbschaftssteuer)		30
7) Turnover Tax (Umsatzsteuer)	a) Ordinary Tax	1 260
	b) Luxury Tax	180
8) Tax on Conveyance of Land (Grunderwerbsteuer)		150
9) Tax on the circulation of Capital (Kapitalverkehrsteuer)		
a) Tax on Companies (Gesellschaftssteuer)		34
b) Tax on Securities (Werte)		6
c) Tax on Bourse transactions (Börsenumsatzsteuer)		150
d) Tax on directors' dividends		8
9a) Tax on the frequenting of the Bourse (Börsenbesuchsteuer)		4
10) Tax on Automobiles (Kraftfahrzeugsteuer)		50
11) Tax on Insurance transactions (Versicherungssteuer)		32
12) Tax on Betting and Lotteries (Rennwett- und Lotteriesteuer)		
a) Tax on Betting (Rennwettsteuer)		40
b) Tax on Lotteries (Lotteriesteuer)		5
13) Tax on Bills of Exchange (Wechselsteuer)		65
14) -		
15) Transport Tax (Beförderungssteuer)		
	a) Passengers	110
	b) Goods	120
	T o t a l	4 108

Non-recurrent taxes

8)	Tax on Debentures (Obligationensteuer)	36
	TOTAL for taxes on property, traffic, trade and transfer	4 144

II. CUSTOMS AND EXCISE DUTIES (Zölle und Verbrauchssteuern).

		millions of gold marks
1)	Customs (Zölle)	160
2)	-	
3)	Tobacco Tax (Tabaksteuer)	360
4)	Beer Tax (Biersteuer)	126
5)	Wine Tax (Weinsteuer)	48
8)	Spirit Monopoly (Branntweinmonopol)	140
9)	Tax on Acetic Acid (Essigsauersteuer)	1.4
10)	Sugar Tax (Zuckersteuer)	231
11)	Salt Tax (Salzsteuer)	9.1
12)	Tax on Matches (Zundwarensteuer)	12.6
13)	Tax on lighting materials (Beleuchtungsmittelsteuer)	8
14)	Tax on Playing Cards (Spielkartensteuer)	.9
15)	Statistical dues (Statistische Gebühren)	1
16)	Saccharine Monopoly (Susstoffmonopol)	1.7
	Total	1 099.7
	GRAND TOTAL	5 243.7

From the French
Translated - JMP
Checked - RB
EP

DOC. 30.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, January 5, 1925.

THE RETURNS OF THE REICHSBANK AS ON 23 DECEMBER 1924.

The following is the comparison between the balance of the Reichsbank as on 23 December 1924, and the balance for the preceding week and the first balance published in conformity with the Law of 30 August 1924.

A S S E T S.

	In thousands of marks	In thousands of Marks Difference as compared with balance of December 15. 1924	In thousands of Marks Difference as compared with balance of October 15. 1924.
1. Unissued shares of the Reichsbank	210 000	-	-
2. Gold reserve (Coins and bullion)	717 646	+ 21 461	+ 104 021
Reserve in hand,	501 129	+ 35 576	+ 59 647
On deposit abroad,	216 517	- 14 115	+ 44 374
3. Currencies available as cover.	239 215	+ 7 154	+ 34 674
4. Other bills and cheques	1 959 829	- 119 199	- 194 114
5. Small German coins	44 860	- 3 345	- 14 599
6. Notes of other Banks	28 864	+ 3 459	+ 28 864
7. Advances covered by pledges	24 183	+ 6 949	+ 8 236
8. Securities	78 340	- 316	+ 823
9. Miscellaneous assets	1 782 828	- 55 165	+ 852 927

L I A B I L I T I E S

	In thousands of Marks	In thousands of Marks: Difference as compared with balance of December 15. 1924	In thousands of Marks: Difference as compared with balance of October 15. 1924
1. Capital			
a) Original capital.	90 000	-	-
b) Increase of capital decided on.	210 000	-	-
2. Reserve fund	900	-	-
3. Notes in circulation	1 765 049	+ 41 823	+ 368 301
4. Other liabilities payable at sight	965 774	- 165 896	+ 137 263
5. Loan from the Rentenbank	488 308	- 25 494	- 311 692
6. Miscellaneous liabilities	1 565 734	+ 10 565	+ 627 060
Re-discounted bills payable in Germany.	562 820	+ 89 020	+ 306 620
"Gold" cover.	40.7%	40.4% (1)	43.9% (2)
"Gold and foreign exchange" cover.	54.2%	53.9%	58.8%

Bills and cheques show a reduction of 119 million RM, the Bank having brought its re-discounts to 562 million RM, an increase of 87 million RM, over the preceding week, and having repaid 25.5 million Rentenmarks to the Rentenbank.

The important reduction in deposits (166 million RM) may be explained by the heavy requirements of private commercial undertakings to meet their end-of-the-year obligations, and the same reason may be given for the increase in the circulation of Reichsmark banknotes (41.8 million marks) and of Rentenmark banknotes (70 million marks).

The Gold Reserve has increased by 21.5 million RM.

(1) Cover as on 15 December 1924.
(2) " " " 15 October 1924.

EP.

Documentation Nº 31.

Weekly Balance Sheet of the Golddiskontbank

The balance sheet of the Golddiskontbank for 23 December 1924 is given below, and compared with the balance sheet of 15 December 1924.

	Balance sheet for 23 December 1924	Difference between the balance sheets of 23 December 1924 and 15 December 1924.
A S S E T S	£ s d	£ s d
1. Gold reserve	- - -	- - -
2. Foreign Bank Notes	- - -	+ 48.19. -
3. Foreign bills payable at sight	664 204. 3. 3.	- 348 695. 4.11.
4. Bills and cheques	6 691 444.11. 4.	+ 389 590.16. 9.
of which at short term.	576 050. 4. 0.	- 44 182. 9. 1.
5. Share capital not yet paid up	3 230 800. - -	- - -
6. Other assets	61 739. 8. 4.	+ 2 294. 3. 6.
L I A B I L I T I E S		
1. Original capital	10 000 000. - -	- - -
2. Reserve Fund	- - -	- - -
3. Banknotes in circulation.	- - -	- - -
4. Bonds payable at sight	178 106.10. 4.	+ 31 834.12. 2.
5. Other liabilities	520 081.12. 7.	+ 3 306. 4. 2.
Rediscounts	1 477 077.12. 5.	- 1 005 610. 1.10.

EM

Documentation No 32
5 January 1925.

PROPOSED NACHTRAG (SUPPLEMENT) TO THE BUDGET FOR THE FINANCIAL YEAR 1924-1925

adopted by the Reichsrat on 21 November 1924.

An official communiqué published in the press states that at its meeting held on 21 November last the Reichsrat voted a Nachtrag (Supplement) to the Budget for the financial year 1924-1925, which will be submitted at an early date to the new Reichstag.

GROSS (UNADJUSTED) FIGURES OF THE BUDGET

The gross (unadjusted) figures of the amended Budget, as voted by the Reichsrat, become as follows:-

	Ordinary Budget			Extraordinary Budget		Total	
	Income	Expenditure		Income	Expenditure	Income	Expenditure
		Recurrent	Non-recurrent				
	In millions of gold marks						
Votes for the General Administration of the Reich.	5 358.0	5 110.2	247.8	664.6	664.6	6 022.6	6 022.6
Votes for the Execution of the Peace Treaty.						1 033.2	1 033.2

I

A. VOTES FOR THE GENERAL ADMINISTRATION OF THE REICH.

Actual Expenditure.

The following purely accounting transactions must be deducted from the gross unadjusted figures of the Budget:-

a) Transfers from the Ordinary Budget

1. to the Extraordinary Budget.. 64 million gold marks.
2. to the Extraordinary Budget (to redeem Gold Loan)..... 100 " " "
3. to Votes for the Execution of the Peace Treaty..... 116.9 " " "

Total 280.9 " " "

b) Transfers from the Extraordinary Budget

To Votes for Execution of Peace Treaty..... 348.0 " " "

The figures for the actual expenditure under the Votes for the General Administration of the Reich are thus as follows:-

	Ordinary Budget	Extraordinary Budget	Total
	millions of gold marks		
Gross (unadjusted) expenditure.....	5 358	664.6	6 022.6
Deduct transfers.....	280.9	348.0	628.9
Net (actual) expenditure.....	5 077.1	316.6	5 393.7

A c t u a l I n c o m e.

The following sums must be deducted from the total (unadjusted) figures for the income of the Extraordinary Budget:-

1.	Transfer from the Ordinary Budget..	64	million	gold marks
2.	Transfer from the Ordinary Budget (redemption of Gold Loan).....	100	"	" "
3.	Proceeds of Internal Loan (covering deficit).....	348	"	" "
	Total	512	"	" "

The figures for the actual income under the Votes for the General Administration of the Reich may therefore be tabulated as follows:-

	Ordinary Budget	Extraordinary Budget	Total
	millions of gold marks		
Gross (unadjusted) income.....	5 358.0	664.6	6 022.6
Deduct transfers.....	-	512.0	512.0
Net (actual) Income..	5 358.0	152.6	5.510.6

Placing side by side the actual income and the actual expenditure under the Votes for the General Administration of the Reich, we have:-

	Ordinary Budget	Extraordinary Budget	Total
	millions of gold marks		
Actual Income.....	5 358.0	152.6	5 510.6
Actual Expenditure...	5 077.1	316.6	5 393.7
Surplus (+) or deficit (-)	+ 280.9	-164.0	+ 116.9

B. VOTES FOR THE EXECUTION OF THE PEACE TREATY.

Owing to the application of the Experts' Plan, the Votes for the Execution of the Peace Treaty are divided into two parts. The figures for expenditure are made up as follows:-

a)	Expenditure directly borne by Germany.... ...	466.5	million G.M.
b)	Expenditure to be charged to the Annuity in execution of the Experts Plan.....	566.6	" "
	Total	1 031.1	" "

They are covered

in the case of (a)

1.	by the income properly so-called	1.5	" "
2.	by the surplus under Votes for the General Administration of the Reich....	116.9	" "
3.	by the Loan (estimated deficit).....	348.0	" "
	Total	466.5 (1)	" "

in the case of (b)

1.	by the proceeds of the External Loan and transfers from the Reichsbahn.....	566.6	" "
	Total	1 031.1	" "

(1) There is a difference of 0.1 million gold marks between the total obtained by adding the figures and the total indicated, due to the fact that figures lower than 0.1 have not been taken into account.

II

- A - COMPARISON BETWEEN THE ACTUAL INCOME AND EXPENDITURE ON THE VOTES FOR THE GENERAL ADMINISTRATION OF THE REICH AS THEY STAND IN THE AMENDED BUDGET AND THE SAME AS THEY STOOD IN THE UNAMENDED BUDGET VOTED ON 28th JULY 1924.

	Ordinary Budget			Extraordinary Budget		Total	
	Income	Expenditure		Income	Expenditure	Income	Expenditure
		Recurrent	Non-recurrent				
	in millions of gold marks						
Sums voted on 28 July 1924.....	5 358	4 837.0	240.0	152.6	263.3	5 510.6	5 340.3
Figures as amended by the introduction of the Nachtrag....	5 358	4 829.3	247.8	152.6	316.6	5 510.6	5 393.7
Differences (+ or -)		- 7.7	+ 7.8		+ 53.3		+ 53.4

Explanation of the differences.

The estimated income under the amended Budget is the same as in the unamended Budget of 28 July 1924. No alteration has been made in spite of considerable increases in the revenue since the beginning of the financial year.

The increases in the expenditure of the Ordinary Budget are unimportant, and the increase on non-recurrent expenditure is balanced by a decrease on recurrent expenditure (1 and 2). The increase in the expenditure under the Extraordinary Budget (53.3 million gold marks) is distributed among the headings Settlements and Housing, Canalisation Works, etc. (3)

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(1) The decrease in the permanent expenditure of the Ordinary Budget is due to

a) Interest on the Public Debt	- 39.8 million GM
b) Social Insurance, salaries of officials	+ 32
	- 7.8

(2) The increase in the non-recurrent expenditure of the Ordinary Budget is due to the following headings: Relief to students, Purchase of a house in Berlin.

(3)

a) Settlements and housing.	+ 15.7
b) Canalisation Works (Rhine-Main-Danube, Nockar, etc)	+ 8.1
c) Electric undertakings, fertiliser factories.	+ 16
d) General expenditure arising out of the War.	+ 13.3

- B - COMPARISON BETWEEN THE INCOME AND EXPENDITURE ON THE VOTES FOR THE EXECUTION OF THE PEACE TREATY AS THEY STAND IN THE AMENDED BUDGET AND THE SAME AS THEY STOOD IN THE UNAMENDED BUDGET VOTED ON 28 JULY 1924.

	Unamended Budget of 28 July 1924.		Amended Budget		Difference	
	Income	Expenditure	Income	Expenditure	Income	Expenditure
	in millions of gold marks					
a. Borne by Germany						
National Income	1.5		1.5			
Surplus on Votes for General Administration	170.3		116.9		- 53.4	
Internal Loan	469.7		348.0		- 121.7	
Expenditure		641.5		466.5		- 175.0
Totals	641.5	641.5	466.5 (1)	466.5	- 175	- 175
b. In execution of the Experts' Plan:						
Income			566.6		+ 566.6	
Expenditure				566.6		+ 566.6
General Total	641.5	641.5	1 033.1	1 033.1	+ 391.6	+ 391.6

(1) See footnote (1) on page 4.

The total income and expenditure under the Votes for the Execution of the Peace Treaty have increased by 391.6 million gold marks.

As a result of the application of the Experts' Plan, the expenditure directly borne by Germany has decreased by 175 million gold marks. The official communiqué indicates that this is only an approximate estimate. The total deficit to be covered by the Internal Loan, which was 469.7 million gold marks in the Budget as voted on 28 July 1924, is reduced to 348 million gold marks.

The expenditure on Reparation Account is estimated at 566.6 million gold marks. The payments for the first Reparation year (1 September 1924 to 1 September 1925) have however been fixed at 1 milliard gold marks. For the period of 7 months falling under the financial year 1924-1925 (1 September 1924 - 31 March 1925) 583.3 million gold marks are due. The official communiqué gives no explanation of this difference of 16.7 million gold marks between the amount due and the estimates.

(Signed) M. HEROIN.

From the French
Translated - BWS
Checked - RB

EM

DOC. 33.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, January 6, 1925.

RECEIPTS OF THE REICH FOR THE MONTH OF NOVEMBER 1924.

The "Deutscher Reichsanzeiger" publishes a statement showing the receipts of the Reich for the month of November 1924 in its No. 298. The figures for the moneys received under the various groups of taxes for November and the preceding months are given below.

TAX	Estimated Receipts		Actual Receipts				
	For Budget Year 1924-25	Average per month	Monthly average 1st quarter	Monthly average 2nd quarter	October	November	Receipts 1 April to 30 November
	in millions of gold marks						
I. Taxes on property (direct taxes)							
a) recurring	4,108.0	342.3	403.9	468.5	539.5	521.1	3,677.9
b) non-recurring	36.0	3.0	6.8	3.4	18.0	8.7	57.5
II. Customs and indirect taxes							
a) assigned	1,017.0	84.7	85.1	113.7	118.0	129.7	844.2
b) other taxes	82.7	6.9	7.8	8.4	10.8	12.2	71.9
III. Miscellaneous	-		1.3	0.4	0.4	0.4	6.4
Total	5,243.7	437.0	504.9	594.8	686.7	672.1	4,658.0

Generally speaking the receipts show a continued improvement since the beginning of the Budget Year. As compared with the receipts for the month of October, the November receipts have slightly fallen off (six million gold marks). The receipts from Customs and indirect taxes have increased, whilst those from direct taxes have fallen off.

The following table shows the returns from the principal direct taxes:

Receipts from the principal direct taxes.

Tax	Estimated Receipts		Actual Receipts				
	For Budget Year 1924-25	Average per month	Monthly average 1st quarter	Monthly average 2nd quarter	October	November	From 1 April to 30 November
	in millions of gold marks						
Income Tax							
a) From wages and salaries			87.8	109.6	114.8	119.8	827.1
b) From income on capital			0.6	1.0	2.3	-	7.4
c) From other sources			66.4	68.5	97.8	74.4	577.0
Total	1,344.0	112.0	154.8	179.1	214.9	194.2	1,411.5
Corporations Tax	144.0	12.0	23.1	24.8	27.3	31.4	202.7
Tax on Fortunes	376.0	31.3	24.9	34.5	21.9	77.4	277.5
Turnover Tax:							
a) general	1,260.0	105.0	139.1	148.5	197.4	153.1	1,213.5
b) on luxuries	180.0	15.0	8.9	8.2	10.8	11.7	74.0
Tax on Bourse transactions	150.0	12.5	10.2	7.9	10.1	8.3	79.1
Transport Tax	230.0	19.2	20.3	36.6	27.5	20.6	219.3

The decreases registered in the receipts from the Turnover and Income Taxes have already been reported in our Document No. 11. They are due, in so far as the Turnover Tax is concerned, to the reduction of the rate of the Tax; in the case of the Income Tax, to the falling off of provisional payments, which have been less important this month.

The following table gives the same data for the returns from Customs and indirect assigned taxes :

TAX	Estimated receipts		Actual receipts				
	Budget Year 1924-1925	Average month	Monthly average 1st quarter	Monthly average 2nd quarter	October	November	1 April to 30 November
	in millions of gold marks						
Assigned taxes:							
Customs	160	13.3	21.7	23.8	27.3	30.2	194.0
Tobacco Tax	360	30.0	35.6	41.4	41.7	43.3	316.1
Beer Tax	126	10.5	13.7	20.1	17.6	14.8	133.8
Sugar Tax	231	17.6	10.8	19.6	16.7	22.8	130.5
Alcohol Monopoly Tax	140	11.7	3.2	8.9	14.6	18.5	69.7

It will be seen that for the greater part of these taxes the Budget estimates have already been exceeded.

The Reich of course transfers sums to the States and the Communes from certain direct taxes. The following table shows the total amount of the receipts of the Reich, the amounts transferred, calculated per month in accordance with

the percentages of the quotas, together with the net receipts of the Reich after such transfers :

	Budget Estimates		Actual receipts and estimated transfers				
	For the Budget Year 1924-1925	Average per month	Monthly average 1st quarter	Monthly average 2nd quarter	October	November	From 1 April to 30 November
	in millions of gold marks						
Total receipts of the Reich	5,243.7	437.0	504.9	594.8	686.7	672.1	4,657.9
Transfers to the States	1,861.6	155.1	198.7	227.2	270.7	243.9	1,792.4
Net receipts of the Reich	3,382.1	281.9	306.2	367.6	416.0	428.2	2,865.5

An addition of the figures for the monthly transfers of taxes actually effected to the States, according to the Statements of the Reichshauptkasse, show at the end of November 1924 a total of 1,688.1 million gold marks. At this date it would therefore appear that the Reich was still indebted to the States on this account to the extent of 104.3 million gold marks (1792.4 - 1688.1).

The curves showing the receipts of the Reich, the transfers to the States (estimated and actual) and the net receipts of the Reich may be followed on the attached graph.

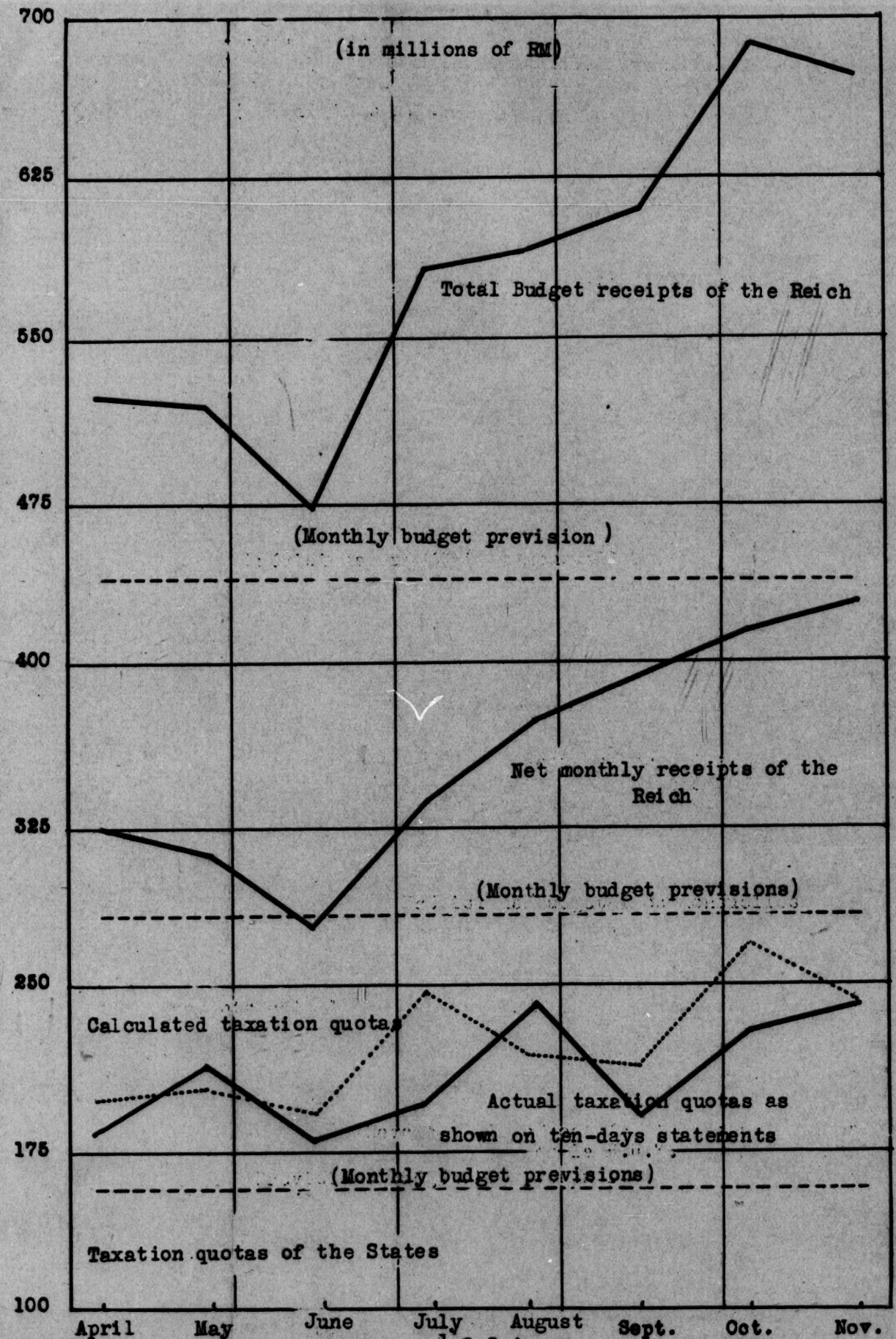
(Signed) M. HEROIN.

From the French
Translated - CFH
Checked - RB.

MdeJB.

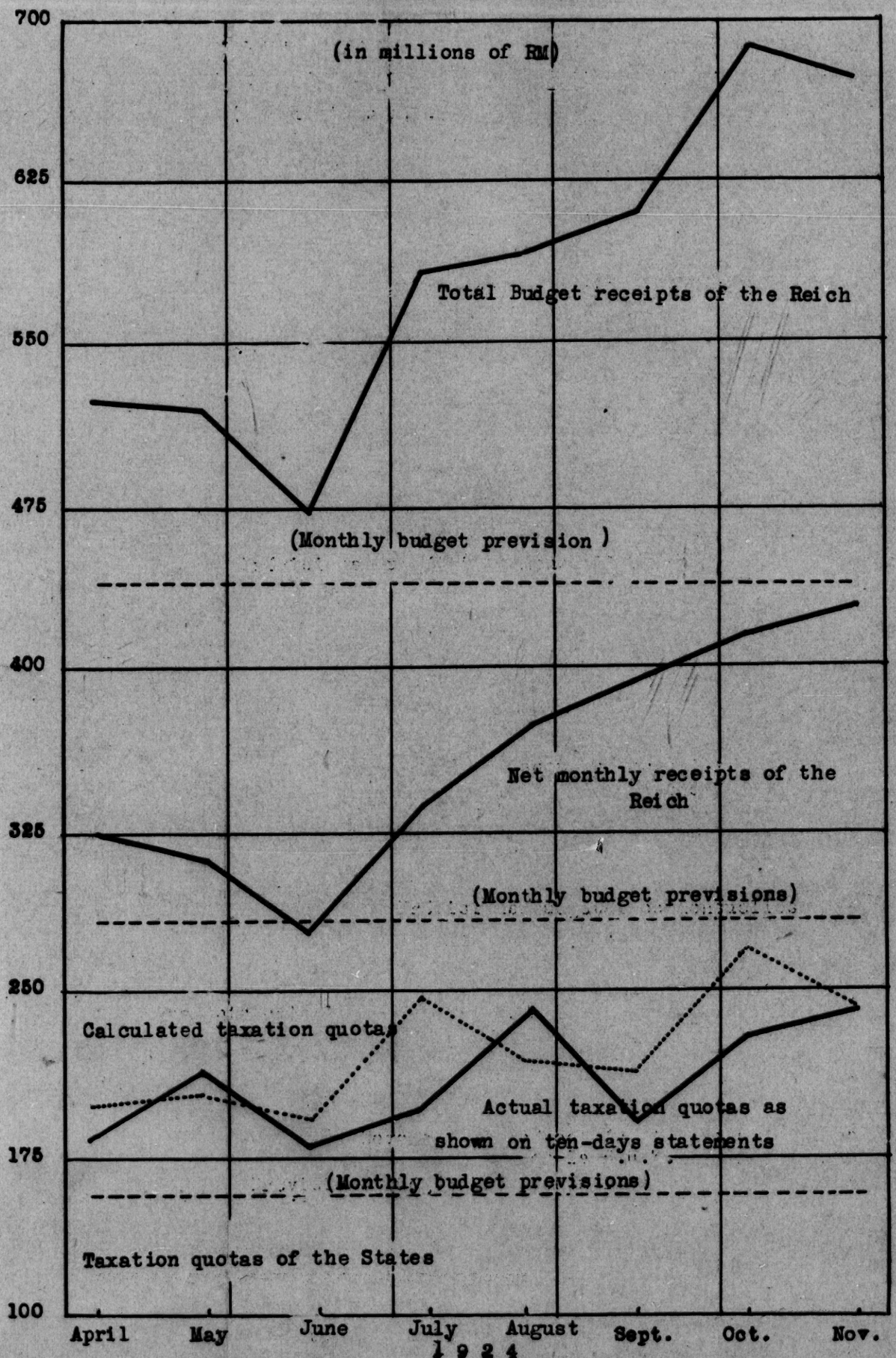
BUDGET RECEIPTS OF THE REICH - TAXATION QUOTAS OF THE STATES

NET RECEIPTS OF THE REICH



BUDGET RECEIPTS OF THE REICH - TAXATION QUOTAS OF THE STATES

NET RECEIPTS OF THE REICH



Documentation No. 34

Berlin, 6 January 1925.

The last weekly balance sheet of the Golddiskontbank.

The balance sheet of the Golddiskontbank at 31 December 1924 is given below, and compared with the balance sheet of 23 December 1924.

	Balance sheet at 31 December 1924.	Difference between the balance sheets of 31 December 1924 and 23 December 1924.
ASSETS	£ s d	£ s d
1. Gold Reserve	- - -	- - -
2. Foreign Bank Notes	- - -	- - -
3. Credits payable at sight abroad	500,802 1 0	:- 163,402 2 3
4. Bills and cheques ...	6,677,352 5 10	:- 14,092 5 6
of which at short term	781,466 18 9	:+ 205,416 14 9
5. Share capital not yet paid up	3,352,800 0 0	:+ 72,000 0 0
6. Miscellaneous assets ...	67,415 6 7	:+ 5,675 18 3
LIABILITIES		
1. Original capital	10,000,000 0 0	- - -
2. Reserve fund	- - -	- - -
3. Banknotes in circulation	- - -	- - -
4. Bonds payable at sight ..	70,453 6 6	:- 107,653 3 10
5. Miscellaneous liabilities	527,916 6 11	:+ 7,834 14 4
Liabilities arising out of rediscounts	1,106,472 14 4	:- 370,604 18 1

The Golddiskontbank is being liquidated rapidly. During the last week of December "Bills and cheques" and rediscounts were reduced to a total of 384,697 pounds sterling.

In future, the Golddiskontbank will not publish a weekly balance sheet. A Memo published in the Reichsanzeiger of 3 January gives the following explanation for this: "In view of the fact that, since the coming into force of the Bank Law of 30 August 1924, the Golddiskontbank will not issue any bank notes - which moreover it has never done since its foundation - the publication of weekly balance sheets will cease with the New Year."

From the French
Translated - CFH
Checked - RB
MD

DOC. 35.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, January 7, 1925.

THE RETURNS OF THE REICHSBANK AS ON 31 DECEMBER 1924.

The following is the comparison between the balance of the Reichsbank as on 31 December 1924, the balance for the preceding week and the first balance published in conformity with the Law of 30 August 1924.

ASSETS	in 1,000 marks	Difference as compared with balance as on 23 Dec.1924 in 1,000 marks	Difference as compared with balance as on 15 Oct.1924 in 1,000 marks
1. Unissued shares of the Reichsbank	210,000	-	-
2. Gold reserve (bullion and bars)	759,609	+ 41,963	+ 145,984
Reserve On deposit abroad	552,497	+ 51,368	+ 111,015
	207,112	- 9,405	+ 34,969
3. Currencies (available as cover)	253,202	+ 13,987	+ 48,661
4. Other bills and cheques	2,064,094	+ 104,265	- 89,849
5. Small German coins	46,379	+ 1,519	- 12,980
6. Notes of other Banks	7,625	- 21,239	+ 7,625

	in 1,000 marks	Difference as compared with balance as on 23 Dec. 1924 in 1,000 marks	Difference as compared with balance as on 15 Oct. 1924 in 1,000 marks
ASSETS (Contd.)			
7. Advances covered by pledges	16,960	- 7,223	+ 1,013
8. Securities	77,999	- 341	+ 482
9. Miscellaneous assets	1,654,426	- 128,402	+ 724,525
LIABILITIES			
1. Capital			
a) original capital	90,000	-	-
b) increase of capital decided on	210,000	-	-
2. Reserve fund	900	-	-
3. Notes in circulation	1,941,440	+ 176,391	+ 544,692
4. Other liabilities payable at sight	820,865	- 144,909	- 7,646
5. Loan from the Rentenbank	456,508	- 31,800	- 343,492
6. Miscellaneous liabilities	1,570,581	+ 4,847	+ 631,907
Re-discounted bills payable in Germany	492,820	- 70,000	-
"Gold" cover	39.1%	* 40.7%	** 43.9%
"Gold and foreign exchange" cover	52.2%	54.2%	58.6%

* Cover as on 23 December 1924.
** Cover as on 15 October 1924.

The balance sheet of the Reichsbank as on 31 December 1924 reveals the heavy requirements of private business for the end of the year. The circulation of Reichsmark notes has risen to 1,941 million RM, an increase of 176 millions. Moreover, the Bank has again put into circulation 127 million Rentenmarks, thus bringing the amount of Rentenmark notes in circulation to 1,835 million RM. On 31 December 1924 the fiduciary issue in Germany (including notes issued by private Banks of Issue to the amount of some 120 million RM, and small coins to the value of some 385 million RM) totalled 4.3 milliard RM.

Side by side with the increase in the fiduciary circulation, Deposits have decreased by 144.9 million RM to 821 million RM. "Bills and cheques" and "Advances covered by pledges" have together increased by 97 million RM. The Bank has repaid to the Rentenbank agricultural bills to the value of 31.8 million Rentenmarks. The value of its rediscounts has decreased by 70 million RM.

Owing to the considerable increase in the fiduciary circulation, the cover for notes is slightly lower than it was for the preceding week, ... and this although the gold reserve shows a considerable increase (42 million RM). The "gold cover" works out at 39.4 per cent (as against 40.7 per cent), and the "gold and foreign exchange cover" at 52.2 per cent (as against 54.2 per cent).

From the French. Translated BWS. Checked RB. MdeJB.

DOC. 36

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, 13 January 1925.

THE RETURNS OF THE REICHSBANK AS ON 7 JANUARY 1925

The following is the comparison between the balance of the Reichsbank as on 7 January 1925 and the balance for the preceding week and the first balance published in conformity with the Law of 30 August 1924 -

A S S E T S

	in 1,000 marks	Difference as compared with balance of 31 Dec. 1924 in 1,000 marks	Difference as compared with balance of 15 Oct. 1924 in 1,000 marks
1. Unissued shares of the Reichsbank	177,737	- 32,263	- 32,263
2. Gold reserve (bullion and bars)	780,632	- 21,023	+ 167,007
Reserve	581,979	+ 29,482	+ 140,497
On deposit abroad	198,653	- 8,459	+ 26,510
3. Currencies available as cover	260,210	+ 7,008	+ 55,669
4. Other bills and cheques	1,883,546	- 180,548	- 270,397
5. Small German coins	49,714	+ 3,335	- 9,645
6. Notes of other banks ...	18,532	+ 10,907	+ 18,532
7. Advances covered by pledges	8,233	- 8,727	- 7,714
8. Securities	109,908	+ 31,909	+ 32,391
9. Miscellaneous assets ...	1,757,533	+ 103,107	+ 827,632

L I A B I L I T I E S

1. Capital			
a) Original capital ..	90,000	-	-
b) Increase of capital decided on	210,000	-	-
2. Reserve fund	900		

	in 1,000 marks	Difference as compared with balance of 31 Dec. 1924 in 1,000 marks	Difference as compared with balance of 15 Oct. 1924 in 1,000 marks
3. Notes in circulation ..	1,799,797	- 141,643	+ 403,049
4. Other liabilities payable at sight	897,041	+ 76,176	+ 68,530
5. Loan from the Rentenbank	432,056	- 24,452	- 367,944
6. Miscellaneous liabilities	1,616,251	+ 45,670	+ 677,577
Rediscounted bills payable in Germany ..	553,820	+ 61,000	+ 297,620
"Gold" cover	43.4 %	(1) 39.1 %	(2) 43.9 %
"Gold and foreign exchange" cover	57.8 %	52.2 %	58.6 %

The position of the Bank has considerably improved since the end of the financial year.

Bills and advances covered by pledges show altogether a fall of 189.3 million RM. This figure includes a considerable increase in rediscounted bills and cheques (61 million RM) and 24.5 million RM repaid to the Rentenbank in agricultural bills.

Deposits are shown at 897 million RM, an increase of 76 million RM as compared with the previous week.

The circulation of Reichsmark and Rentenmark notes has fallen 255.3 millions (141.6 million RM in the case of Reichsmarks and 113.7 million RM in the case of Rentenmarks).

(1) Cover as on 31 December 1924
(2) Cover as on 15 October 1924.

The Gold Reserve having again risen by 21 million RM, the cover of the notes has been appreciably strengthened.

The gold cover is 43 per cent (as against 39 per cent in the preceding week); the gold and foreign exchange cover is 57.8 per cent (as against 52.2 per cent in the preceding week).

The decrease in "Unissued shares", and a roughly equivalent increase in "securities" is due to the fact that the Reichsbank has absorbed the whole of the shares of the Golddiskontbank, handing over its own shares to the holders of the Golddiskontbank shares, in conformity with § 5 of the Law of 30 August 1924.

From the French
Translated - NL
Checked - RB
EFD

Doc. No. 37.

Berlin, 16 Jan. 1925.

BALANCE SHEET OF THE RENTENBANK AS ON 31 DECEMBER 1924.

The following is the comparison between the balance of the Rentenbank on 31 December 1924 and the balance on 30 November 1924:

	Balance on 31 Dec. 1924	Difference between balance on 31 Dec. 1924 and 30 nov.1924.
A S S E T S		
Charges upon German industry	2,000,000,000	-
Amount of the Rentenbriefe: Rentenmarks		
on 30-11-24: 1,999,844,000		
on 31-12-24: 1,999,844,000		
Loans to the Reich	1,200,000,000	-
Outstanding credits.....	780,334,584 (1)	-
Cash in hand, clearing assets Postal cheques & bank assets:	192,017,353	+ 2,563,219
Furniture & Office material	73,049	+ 1,452
Miscellaneous assets.....	6,466,465	+ 6,466,465
L I A B I L I T I E S		
Capital	2,000,000,000	-
Reserve fund	-	-
Rentenbank notes in circulation.....	1,980,178,583	-
Rentenbriefe in circulation	156,000	-
Miscellaneous liabilities	3,625	+ 3,625

(1) This item includes the debt of the Reichsbank which amounted to 456.51 million Rentenmarks on 31 December 1924. At that date the Reichsbank had repaid to the Rentenbank 343.49 million Rentenmarks (difference between the maximum amount of the debt, viz. 800 million Rentenmarks, and 456.51 million Rentenmarks) as follows: 100 million Rentenmarks in cash and 243.49 million Rentenmarks in bills.

From the French
Translated - CFH
Checked - RB
GS.

I. I. 9. 4111 Doc. N° 38.

Berlin, 21 January 1925.

THE RETURNS OF THE REICHSBANK AS ON 15 JANUARY 1925.

The following is the comparison between the balance of the Reichsbank as on 15 January 1925 and the balance for the preceding week and the first balance published under the law of 30 August 1924.

A S S E T S

	in 1000 Mk.	Difference as compared with return of 7 Jan. 1925 in 1000 Mk.	Difference as compared with return of 15 Oct. 1924 in 1000 Mk.
1. Unissued shares of the Reichsbank	177,737	-	- 32,263
2. Gold reserve (bullion and bars)	791,652	+ 11,020	+ 178,027
Reserve	592,999	+ 11,020	+ 151,517
On deposit abroad	198,653	-	+ 26,510
3. Currencies available as cover	263,883	+ 3,673	+ 59,342
4. Other bills and cheques	1,743,587	- 139,959	- 410,356
5. Small German coins	56,752	+ 7,038	- 2,607
6. Notes of other banks	29,136	+ 10,604	+ 29,136
7. Advances covered by pledges	17,418	+ 9,185	+ 1,471
8. Securities	109,796	- 112	+ 32,279
9. Miscellaneous assets	1,774,029	+ 16,496	+ 844,128

L I A B I L I T I E S

1. Capital			
a) Original capital	90,000	-	-
b) Increase of capital decided on	210,000	-	-
2. Reserve fund	900	-	-
3. Notes in circulation	1,646,198	- 153,599	+ 249,450
4. Other liabilities payable at sight	983,651	+ 86,610	+ 155,140

5. Loan from the Rentenbank	403,476	- 28,580	- 396,524
6. Miscellaneous liabilities	1,629,765	+ 13,514	+ 691,091
Re-discounted bills payable in Germany	605,829	+ 52,000	+ 349,620
"Gold" cover	48,1 %	43.4 (1)	43.9 % 2)
"Gold and foreign exchange" cover	64.1 %	57.8	58.6 %

During the second week of January the Reichsbank again considerably improved its position.

The item "bills and cheques" shows a reduction of RM 140 millions. In addition to the credits recovered by the Bank, this sum includes RM 52 millions in new re-discounts, as well as RM 29.6 millions in agricultural drafts refunded to the Rentenbank. The debt to the Rentenbank has thus been reduced to RM. 403.5 millions.

Deposits have increased by RM 86.6 millions.

The circulation of Reichsmark notes has decreased by RM 153.6 millions, being now RM 1 646.2 millions; and that of Rentenmark notes by RM 69.4 millions being now RM 1 650 millions. The sum in Rentenmark notes held by the Bank has increased to RM 328.2 millions.

The gold reserve having increased by RM 11 millions and the note circulation having considerably decreased, the cover has been substantially reinforced. The gold cover amounts to 48.1 per cent (43,4 per cent) and the gold and foreign exchange cover to 64.1 per cent (57.8 per cent).

From the French
Translated -JMP
Checked - N L.

DOCUMENTATION N° 30

I I N°.9.40

Berlin, 21 January 1925.

PROFESSOR CASSEL AND Dr. DERNBURG AT THE ANNUAL CONGRESS OF THE "ASSOCIATION OF PRIVATE BANKERS IN GERMANY"

The "Association of Private Bankers in Germany" (Verband Deutscher Privatbankiers) held its annual congress in Dresden from 17 to 19 January 1925. At this congress papers were read by Professor Cassel and the ex-Minister Dernburg, which are analysed below.-

Professor Cassel dealt with "The restoration of gold as an international standard of value".

The general restoration of gold as an international standard of value, he argued, is the end and object of all the efforts being made in the money centres of the world. But in order to place a currency out of danger, more is required than the restoration of gold currency. It must be watched and for this purpose a policy must be pursued, the object of which is to stabilise the purchasing power of the monetary unit, while at the same time keeping the amount of money in circulation below a certain level. It is thus indispensable to regulate the conditions on which advances are granted by Banks; these conditions must be sufficiently severe to prevent the credit demand from exceeding the market supply.

Most of the countries of the world have depreciated currencies; they must stabilise them at rates approximating to their present gold value. It should, however, be noted

that by adjusting themselves to gold, currencies can only acquire the stability of gold. And the stability of the value of gold depends on the production of that metal. An output which is at present sufficient may become inadequate in the future; a shortage of gold may arise, and bring about a general fall in prices and an economic crisis.

It is a matter for congratulation that the United States has considerable reserves of gold. These reserves would be of great assistance if the world came to suffer from a shortage of metal. But it is clear that the value of gold is not constant, that it depends on the value of the dollar, and so on the policy of the American Banks. When you restore your gold currency in Germany, you are returning, not to your pre-war currency, but to the dollar. You are making yourselves dependent on the monetary policy of America.

Professor Cassel does not think that the influx of gold into the United States will continue during the next few years. The reserves from which this gold is drawn are almost exhausted.

In the interests of a general restoration of gold currency in Europe, it is desirable that the pound sterling should rise to par. Other countries, however, are not obliged to wait until the pound reaches gold parity before carrying out their monetary reform. Unfortunately, the demand for gold has recently increased considerably. This is in part due to the extraordinary increase in the amount required by India. But the most important factor is the purchases made by the Reichsbank, and if these purchases are not kept within reasonable limits, the countries with a depreciated exchange will find it more difficult

to restore their gold currency.

Dr. Dernburg's paper was on "The Reichsbank, its history, and its policy". His main points were as follows :-

The new Reichsbank is not only a currency Bank, it is also a Reparation Bank, which considerably complicates the position. Complications, however, are not likely to arise in the near future, since no considerable transfer is to be made within the next nine months, except the service of the Gold Loan for the year (48 million marks (sic) + banking expenses). The Bank has therefore time in which to establish itself. There will be no question for a long time of putting gold into circulation again; but when this question does arise, there may well be disputes between the Management of the Bank and the Agent General for Reparation Payments.

The Bank has now at its disposal a surplus of cover (about 2 milliards). Nevertheless, the fiduciary circulation has got to be restricted. The official discount rate formerly acted as a regulator; but to-day this regulator is inadequate. In the Germany of to-day, the capital represented by savings is not sufficient for the requirements of industries which are beginning to flourish again. The "screw" of the discount rate of the Bank would not be a sufficiently effective weapon to prevent inflation. It may be questioned whether at present too many instruments of payment have not been created.

It is true that the amount of all the instruments of payment in circulation, which at the end of 1913 totalled about 5 700 million marks, had fallen to about 4 000 million marks at

the end of 1924. The volume of business, however, is far from being as large as it was in 1913.

Nor is the decrease in clearing operations at the Reichsbank (monthly average in 1913, 6.1 milliard marks; December 1924, 3.6 milliard marks) an argument on which solid conclusions can be based; allowance must be made for the rate of circulation of money and for the creation of new Clearing Offices by the Reichsbank.

The level of prices, which is the surest standard, would seem to point to an over-abundance of instruments of payment.

It is nevertheless true that industry is short of credit. Existing capital should be placed at its disposal in accordance with a system of rationing. The necessary organisation for such a system of rationing does not exist. Numerous institutions, public institutions in particular, lend their funds without any method whatever. All public funds should be placed under the control of the Reichsbank. They should be devoted in part to the reorganisation of the private discount market.

Attempts have been made to remedy the shortage of the capital represented by savings by means of foreign credits. However welcome such assistance may be, it is not without danger. These foreign credits falsify our balance of payments. Variations in the political or economic position of the creditor or debtor may mean their withdrawal. We must therefore rid ourselves of the encumbrance which they represent at the earliest possible date, and especially from short-dated credits. For this purpose it is essential to encourage saving. It is hoped to increase the capital represented by savings by improving the rate of revalorisation.

This is a mistake. Such an increase would be borne almost exclusively by the State and tenants. In the majority of cases it would merely mean an accounting change. Nevertheless, by restoring confidence, an increase in the rate of revalorisation may have excellent moral results although comparison with other countries will show that it is not possible to go very far with the process.

With a rate higher than 28 per cent, the holders of German securities would be better off than the holders of Italian Securities; with 28 per cent, they would be better off than the holders of French Securities. The restoration of the secret bancaire is calculated to encourage the saving spirit. The form of the internal loans which are to be issued in the future will be of supreme importance. For the financial year 1925 and the end of the financial year 1924 it is anticipated that half a milliard will be raised by means of loans; and in addition to this Germany has to find the preference shares of the Railways to the value of 250 million marks. The type of loan which would be most welcomed by the German public would appear to be a lottery loan with a low rate of interest. It would be covered by special security; the 250 million marks of the Railways preference shares, part of the ordinary shares, and the surpluses from the assigned revenues.

(Signed) DRILLICH

From the French
Translated - BWS
Checked - RB

MM

Doc. No. 40.

I I 9.3121. 20 January 1925

TAXATION RECEIPTS OF THE REICH FOR DECEMBER 1924.

The Deutscher Reichsanzeiger (1925 No. 13) publishes the taxation receipts for December 1924. The following table shows the figures for the various groups of taxes for that month and for the preceding period.

	Estimated receipts.		Actual receipts.					
			Monthly average					
	For the financial year	Monthly Average	1st quarter	2nd quarter	3rd quarter	Nov.	Dec.	1 Apr. to 31 Dec.
			in millions of Reichsmarks.					
I. Taxes on property, trade, traffic and transfer								
a) recurrent	4 108	342.3	403.9	468.5	509.9	521.1	469.1	4 146.9
b) non-recurrent	36.0	3.0	6.8	3.4	11.5	8.7	7.8	65.3
II. Customs and excise duties								
c) assigned	1 017.0	84.7	85.1	113.7	131.3	129.7	146.2	990.4
d) other duties	82.7	6.9	7.8	8.4	11.5	12.2	11.5	83.4
III. Miscellaneous			1.3	0.4	0.4	0.4	0.5	7.0
Total...	5 243.7	437	504.9	594.8	664.6	672.1	635.1	5 293.0

The total receipts collected during the first nine months of the financial year (5 293 million Reichsmarks) already exceed by about 50 millions the total receipts estimated for the whole financial year (5 244 million Reichsmarks). The surpluses from

direct taxes are particularly larger

A comparison of the average monthly receipts for each quarter shows that the receipts for each category of tax have steadily increased.

The receipts for December however show a reduction of 37 millions as compared with those for November, and a reduction of about 30 millions as compared with the monthly average for the third quarter. The direct taxes show deficits (of 53 and 45 million RM), whereas the receipts from indirect taxes continue to increase.

The following table shows the receipts from the principal direct taxes:

	Estimated receipts.		Actual receipts.					
			Monthly average					
	For the financial year	monthly average	1st quarter	2nd quarter	3rd quarter	November	December	1 April to 31 Dec.
			in millions of Reichsmarks.					
Income Tax (Einkommensteuer):								
a) On salaries...	-	-	87.8	109.6	120.3	119.8	126.3	953.4
b) On Income from Capital.....	-	-	0.6	1.0	1.9		1.6	9.0
c) Other sources....	-	-	66.4	68.5	77.2	74.4	59.3	636.4
TOTAL...	1 344.0	112	154.8	179.1	199.4	194.2	187.2	1 598.8
Tax on Corporations (Körperschaftsteuer).....	144.0	12	23.1	24.8	28.7	31.4	27.4	230.2
Tax on Fortunes (Vermögensteuer)	376.0	31.3	24.9	34.5	49.9	77.4	50.5	328.0

	Estimated receipts		Actual receipts.					
	For the financial year.	monthly average	1st quarter	2nd quarter	3rd quarter	November	December	1 April to 31 Dec.
	in millions of Reichsmarks.							
Turnover tax (Umsatzsteuer)								
a) ordinary	1 260	105	139.1	148.5	163.6	153.1	140.3	1 353.8
b) luxury tax...	180	15	8.9	8.2	11.3	11.7	11.1	85.2
Tax on Bourse Transactions (Börsenumsatzsteuer)	150	12.5	10.2	9.9	7.3	8.3	3.4	82.5
Transport tax: (Beförderungssteuer)	230	19.2	20.3	36.6	23.4	20.6	22.0	241.2

In the case of most of the above taxes a comparison of the average monthly receipts for each quarter shows a steady increase. The reduced returns from the Transport Tax and from the Tax on Bourse Transactions may perhaps be ascribed to the season of the year and also, in the case of the receipts from bourse transactions for December, to the recent reduction in the rate of tax (Decree of 10 November 1924, Reichsgesetzblatt I page 741) which came into force on 17 November 1924.

The December receipts further show a falling off in the case of some of the taxes indicated on the table, as compared with the November receipts.

It may be pointed out in regard to Income Tax and the Tax on Corporations that anticipatory payments have been less numerous in

December. Similarly, the high figure for the receipts from Tax on Fortunes during November may be attributed to the falling due of a quarterly payment on 15 November.

The reduction in the receipts from the Turnover Tax may be ascribed to the reduction in the rate of the tax (reduced from 2½ per cent to 2 per cent) which came into force on 1 October 1924. The second reduction (from 2 per cent to 1½ per cent) has been applied only since 1 January 1925. Press communications also make the point that the increased business done at Christmas time will not be reflected in the tax receipts until the end of January.

The following table shows that the increase in the receipts from each of the indirect assigned taxes has remained constant. A reduction in the receipts from the Beer Tax usually occurs at this time of the year.

	Estimated receipts		Actual receipts.					
	For the financial year.	monthly average	Monthly average 1st quarter	2nd quarter	3rd quarter	Nov.	Dec.	1 April to 31 Dec.
			In millions of Reichsmarks.					
Customs duties (Zölle)	160	13.3	21.7	23.8	31.2	30.2	36.1	230.1
Tobacco Tax (Tabaksteuer)	360	30.0	35.6	41.4	44.7	43.3	49.2	365.3
Beer Tax (Biersteuer)	126	10.5	13.7	20.1	15.0	14.8	12.6	146.4
Sugar Tax (Zuckersteuer)	231	17.6	10.8	19.6	22.7	22.8	28.7	159.3
Spirit Monopoly (Branntweinmonopol).	140	11.7	3.2	8.9	17.6	18.5	19.6	89.3

The following table shows our calculation of the transfers to be made by the Reich to the States from the taxes collected by it, as well as the net share of the Reich.

	Budget estimates		Actual receipts and estimated transfers					
			Monthly average					
	Financial year 1924-	Monthly average	1st quarter	2nd quarter	3rd quarter	Nov.	Dec.	1 April to 31 Dec.
			in millions of Reichsmarks.					
Total receipts of the Reich...	5 243.7	437	504.9	594.8	664.6	[illegible]2.1	635.1	5 293.0
Payments to the States (estimated)...	1 861.6	155.1	198.7	227.2	248.2	243.9	230.0	2 022.4
Net receipts of the Reich...	3 382.1	281.9	306.2	367.6	416.4	428.2	405.1	3 270.6

If we add together the monthly transfers from taxes actually made to the States on the basis of the Reichshauptkasse statements, we get for the end of December a total figure of RM 1917.6 millions. At that date therefore the Reich still appeared to owe the States (2 022.4 - 1 917.6) = 104.8 million gold marks.

M. HEROIN.

From the French
Translated - JMP.
Checked - RB.

/MP.

I. I. 9. 331 DOC. NO. 41

26 January 1925.

THE MOVEMENT OF FUNDS OF THE REICHSHAUPTKASSE DURING THE MONTH OF DECEMBER 1924.

The Deutscher Reichsanzeiger (Year 1925 No.13) publishes a statement showing the movement of funds at the Reichshauptkasse during the month of December 1924. A copy of this statement, together with the accompanying explanations, will be found attached to this report.

During the month of December	
the receipts amounted to	690 million RM.
the payments to	481.9 " "
leaving a surplus of	208.1 million RM.

These figures call for the following remarks :

1. The figure for receipts during the month of December includes :

a) the figures for the December receipts from taxation (see Documentation N°.40)	635 million RM.
less the amount of the receipts from the controlled revenues for this month, not yet repaid to the Reichshauptkasse	- 146.2 " "
leaving :	488.8 million RM.
b) the receipts from the controlled revenues collected in November and paid to the Reichshauptkasse in December	130.5[1] " "
Total of receipts from taxation	619.3 million RM.

(1) Figure given in the December statement of the position of the Reichshauptkasse. The table showing the receipts from taxation for the month of November (Doc.No.33) give a figure of 129.7 million RM. for the receipts from controlled revenues.

II. During the month of December, 233.3 million RM. were re-transferred to the Reichshauptkasse by the Agent General. This sum represented the advances made by the Reich during the period 1 September to 20 December 1924, together with the monies collected by France and Belgium in the occupied territories before the German authorities resumed administration.

These re-transfers figure under the following items:

Increase of receipts under the heading of administrative receipts, to the amount of	32.2 million RM.
Reduction of expenditure under the heading of general administrative expenditure, to the amount of	88.3 "
Reduction of expenditure under the heading of payments on Reparation account	112.8 "
Total:	233.3 million RM.

Owing to the re-transfers effected by the Agent General, the movement of funds during December shows surplus receipts to the extent of 208.1 million RM. If the re-transfers were left out of account, there would have been a deficit of 25 million RM.

III. The figures entered in the second column of the table showing the movement of funds during December, which gives the total amount of receipts and payments of the Reichshauptkasse since the beginning of the financial year, appear to be inexact or incomplete.

In fact, the total amount of monies collected from 1 April to 31 December 1924 amounted to (see Documentation No.) . . . . . 5 293 million RM.

From which must be deducted the receipts

from the controlled revenues, collected in December, and not yet re-transferred to the Reichshauptkasse	146.2 "
Balance :	5 146.8 "
The total of the receipts from taxation shown in the table of the movement of funds at 31 December, amounts to	5 073.7 "
Difference :	73.1 million RM.

This figure of 73.1 million Reichsmarks is precisely that of the receipts collected by the minor Cash Offices (Kassen) during October last, and expended by them direct, as given in the table showing the position of the Reichshauptkasse at 20 November, 1924, but omitted from that of the end of that month.

The balance of receipts and payments of the Reichshauptkasse is in principle correct. The figures for the payments for general administrative purposes are subject to the same correction.

The following table, drawn up on the basis of the above observation, gives the monthly amount of the receipts and payments of the Reichshauptkasse since 1 April 1924.

(Signed) M. HEROIN.

STATEMENT

OF THE RECEIPTS AND PAYMENTS OF THE REICHSHAUPTKASSE

(in millions of Reichsmarks)

RECEIPTS

1924.	Receipts from taxation.	Administrative Receipts.	Total.
April	523.8	55.7	579.5
May	518.7	48	566.7
June	472.3	57.4	529,6
July	583.1	39.1	622.2
August	592.0	26.2	618.3
September	609.2	56.4	665.6
October	686.7	27.6	714.3
November	541.6	27,3	568.9
December	619.3	70.8	690.1
	5246.7		5555.2

PAYMENTS.

	General Administration.	Redemption of Gold Loan.	Quotas to the States & Communes.	Reparation account.	Total.
April	338.6	76	184.9	-	599.5
May	245.0	121.1	214.2	41,8	580.2
June	324.9	26.6	179.6		531.1
July	336.9	5.1	198.4	-	540.4
August	300.9	0.9	243.2	53.6	598.7
September	294.1	1.1	190	97.4	582.6
October	386.4	-	230.6	76.0	693.1
November	247.2	-	242.7	69.0	558.9
December	302.1	-	234.0	-54.2	481.9
	2776.1		1917.6		

SURPLUS AMOUNTS (+) or DEFICITS (-)

April	-	20	
May	-	13.5	
June	-	1.5	
July	+	81.8	35,0
August	+	19.6	
September	+	83	
October	+	21.2	
November	+	10	
December	+	208.1	
		423.7	
		-35.	
		388,7	

STATEMENT OF THE RECEIPTS AND PAYMENTS AT THE REICHSHAUPTKASSE FOR THE MONTH OF DECEMBER 1924.

I. RECEIPTS	December 1924	August to December 1924
	Reichsmarks	
a) General Finance Administration (taxes, Customs, duties) not including the receipts from Customs and controlled revenues for December	619 309 245	5 073 729 330
b) Miscellaneous administrative receipts	70 753 218	408 352 307
Total receipts	690 062 463	5 482 081 637
II. PAYMENTS		
a) General Administration of the Reich including disbursements in execution of the Peace Treaty.	302 116 318	2 884 209 547
b) Taxation quotas of the States and Communes.	234 075 072	1 917 569 740
c) Payments on Reparation account	-54 256 453	291 591 226
Total payments	481 934 937	5 093 370 513
Leaving a surplus of	208 127 526	388 711 124

III. POSITION OF THE FLOATING DEBT as at 31 December 1924.	Reichsmarks.
Treasury Bonds and Treasury Bills.	18 632 022.91
Guarantees by means of Treasury Bonds and Treasury Bills.	116 389 012.- (1)
Issue of Reichsmark Treasury Bonds.	30 000 000.-
Total	165 021 034.91

(1) The Treasury Bonds handed over as cover for the notes issued by Turkey during the war are omitted.

EXPLANATION OF ITEMS I and II.

I.	The total receipts from taxes and Customs amounted in December 1924 to	635 million RM.
	Of which sums payment was not made to the Reichshauptkasse during December (Customs and controlled revenues) to the extent of	146.2 " "
	Balance :	488.8 " "
	To be added, the re transfers made by the Commissioner of Controlled Revenues during December of receipts for the preceding month	130.5 " "
	Total receipts :	619.3 million RM.

II. The statement for the month of December contains the 233.3 million Reichsmarks retransferred for the period 1 September to 20 December 1924 by the Agent General for Reparation Payments, and originally advanced by the Reich on account of the first annuity, or collected by France and Belgium until the Germans resumed administration of the occupied territories. Of this sum, 32.2 million RM were entered as receipts under the heading Miscellaneous administrative receipts. The remainder was entered as reduction of expenditure, for example 83.3 million RM. from General administration expenditure, and 112.8 million RM., from the payments on Reparation account. As a result this account shows a surplus balance in December.

III. There are 24 working days in the month of December. With regard to receipts the daily average works out at 28.7 million RM. In the case of payments the daily average works out at 20 million RM. The total surplus balance for the month of December amounts to 208 million R.M., due to the re-transfers effected by the Agent General for Reparation Payments. Without these re-transfers the deficit would have amounted to about 25 million gold marks.

From the French
Translated - CFH.
Checked - RB.

1.1. 9.4111

Doc. N°. 42.

Berlin, 28 January 1925.

THE RETURNS OF THE REICHSBANK AS ON 23 JANUARY 1925.

The following is the comparison between the balance of the Reichsbank as on 23 January 1925 and the balance for the preceding week and the first balance published under the Law of 30 August 1924.

A S S E T S .

		Difference as compared with return of 15 January 1925.	Difference as compared with return of 15 October 1924.
	in 1 000 marks.	in 1 000 marks.	in 1 000 marks.
1. Unissued shares of the Reichsbank	177 737	-	- 32 263
2. Gold reserve (bullion and bars)	813 126	+ 21 474	+ 199 501
Reserve	614 473	+ 21 474	+ 172 991
On deposit abroad	198 653	-	+ 26 510
3. Currencies available as cover	271 041	+ 7 158	+ 66 500
4. Other bills and cheques	1 607 712	- 135 875	- 546 231
5. Small German coins	60 494	+ 3 742	+ 1 135
6. Notes of other banks	37 068	+ 7 932	+ 37 068
7. Advances covered by pledges	7 350	- 10 068	- 8 597
8. Securities	109 972	+ 176	+ 32 455
9. Miscellaneous assets	1 747 605	- 26 424	+ 817 704

LIABILITIES

1. Capital			
a) Original capital	90 000	-	-
b) Increase of capital decided on	210 000	-	-
2. Reserve fund	900	-	-
3. Notes in circulation	1 550 015	- 96 183	+ 153 267
4. Other liabilities payable at sight	990 230	+ 6 579	+ 161 719
5. Loan from the Rentenbank	378 390	- 25 086	- 421 610
6. Miscellaneous liabilities	1 612 570	- 17 195	+ 673 896
Re-discounted bills payable in Germany	600 874	- 4 946	+ 344 674
"Gold" Cover	52.5 %	(1) 48.1 %	(2) 43.9 %
"Gold and foreign exchange" cover	69.9 %	64.1 %	58.6 %

(1) Cover as on 15 January 1925.
(2) Cover as on 15 October 1924.

During the third week of January the Reichsbank again considerably improved its position.

Bills and advances against security amount in the return for 23 January 1925 to RM. 1 615.1 millions which is a reduction of RM. 145.9 millions as compared with the preceding week. This reduction is not entirely composed of repayments of loans, it includes RM. 25.1 in the form of agricultural bills remitted to the Rentenbank. The debt to the Rentenbank is thus reduced to RM 378.4 millions.

The circulation of Reichsmark notes shows a reduction of RM. 96.2 millions and is now RM. 1 550 millions; that of Rentenmark notes shows a reduction of RM. 48.8 millions and is now approximately RM. 1 600 millions. The amount in Rentenmark notes held by the Bank is now RM. 377 millions.

Deposits show a slight increase of RM. 6.6 millions.

The Bank has again exchanged foreign currency for RM.21.5 millions of gold. The Gold cover is thus considerably reinforced, amounting to 52.5 per cent (48.1 per cent); and the "Gold and foreign exchange cover" to 69.9 per cent (64.1 per cent).

From the French
Translated - JMP
Checked - RB
GS. GW.

Doc. No.43.

I.I. 9.411. Berlin, 28 January 1925.

LECTURE BY PROFESSOR CASSEL AT THE CONGRESS OF "THE ASSOCIATION OF GERMAN PRIVATE BANKERS."

German criticisms.

In our Document No.39, we dealt with a lecture recently delivered by Professor Cassel in Dresden, on "Gold once more the international measure of value."

This lecture by the Swedish Economist, and in particular his criticisms of the policy of the Reichsbank, have certainly not failed to find an echo in the German Press.

We give below the counter arguments put forward in the Berliner Tageblatt of 21 January 1925 and the Frankfurter Zeitung of 22 January 1925.

The Berliner Tageblatt of 21 January 1925 comments upon Professor Cassel's speech to the following effect: Cassel considers that the resumption of the use of gold by the European States will be accompanied by a shortage of this metal. The American reserves will therefore be needed some time or other. Cassel does not believe that gold can possibly depreciate in the United States as, in his opinion, gold will not continue to flow into America during the next few years, the reserves from which the present flow of gold to that country comes being very nearly exhausted.

But what is the reason of the present flow of gold into the United States ? The reason is surely to be found in the favourable balance of trade and balance of payments of America. In 1924, the United States must have absorbed 260 million dollars worth of gold, although they accorded enormous credits to foreign

countries. Cassel is wrong in saying that the sources, from which the gold at present finding its way to America is derived, are nearly exhausted. Does not the output of the Transvaal alone represent an annual value of about 200 million dollars ? Why should the United States not be able to absorb the greater part of this output, if they continue to have a favourable balance of payments?

In his Dresden paper Cassel spoke of the purchases of gold by the Reichsbank. He maintained that if these purchases were not limited to a reasonable figure, "the period of transition to a gold currency would be made unnecessarily difficult for other countries." These statements are somewhat surprising. The gold reserve of the Reichsbank was 1.3 milliard marks in 1913: in 1917 it reached its highest figure - 2.533 milliards of marks: the figure shown in the balance sheet as on 15 January 1925 was only 791 million marks. Again, does not Cassel himself generally profess the opinion that the present stocks of gold in the world ought to be more equally distributed among the various countries ? The reserve of the Reichsbank is small indeed compared with that of the Banque de France (5.5 milliards of francs), or with that of the Bank of England (£128 millions)....."

The Frankfurter Zeitung of 22 January 1925 also disagrees with Professor Cassel on the future of gold.

Even should all the countries return to a gold currency, says Professor Cassel, the demand for the yellow metal throughout the world will not be the same as ten years ago. First, it is by no means certain that business will in the near future assume its pre-war proportions. Secondly, the disappearance of gold from circulation has actually reduced the need for it. Finally, it cannot be denied that, under the influence of post-war theories of money, many countries, cured of the fetish of gold and of the cover mania, are likely to reduce to the strict minimum the reserve of their issue banks.

The Frankfurter Zeitung replies with some warmth to Cassel's criticisms of the Reichsbank. If his criticisms, it says, are the outcome of dissatisfaction at Germany's purchases of gold in Sweden, his complaints are incomprehensible. These purchases of gold were effected in virtue of agreements arrived at between the German Reichsbank and the Swedish Riksbank..... When the Reichsbank was informed that Sweden was despatching gold to America, it asked that, in order to avoid such a roundabout route, this gold should be sold direct to Germany. The management of the Swedish Riksbank agreed in writing to do this, and weekly consignments of from ½ million to one million Swedish crowns were thereupon despatched to Germany. The whole amount of the gold purchased by Germany in Sweden does not represent a value of more than ten million Swedish crowns. Payment was made partly in dollars and partly in Swedish crowns..... It is therefore absurd to talk of "unjustifiable speculation," as Cassel does, meaning obviously the Reichsbank.

It cannot be seriously maintained that the purchases made by the Reichsbank constitute a danger to the gold market. It is true that the reserve of the Reichsbank increased from 442 million marks in May 1924 to 791 million marks on 15 January 1925; but does not Cassel himself say that the American banks have rendered a great service to the world by forming exceptional reserves of gold ready to be used when the time comes ? If the time has not yet come, we should like to know when it will have come ..... Germany is only receiving back from the gold market what she gave to it between 1913 and 1924. Can this be taken amiss ?

We also think, proceeds the Frankfurter Zeitung, that the Reichsbank should reduce its reserve as far as the Dawes laws will permit, but not because we are afraid that Germany's purchases will become a danger to the international gold market. The reason why

we think that it should reduce its reserve is that we consider the accumulation of gold in the vaults of the Reichsbank is unproductive. But all these questions must be studied with an eye to the danger, from Germany's point of view, of foreign credits.

If Germany were not obliged to provide for the day when these credits may be withdrawn, she could of course cease to allow part of her gold and foreign exchange to lie idle. She might use it to issue more currency, and use this currency for the purchase of raw materials, and thus increase the supply of goods and bring down the level of prices at home. She cannot however forget the dangers, with which she may be confronted in connection with the currency.

Nor has the Reichsbank a free hand. Since the restrictions upon the importation of gold were removed by the decree of 4 December 1924 issued by the Minister for Economic Affairs, which has been in operation since 17 December 1924, § 22 of the Bank Law, which requires the Reichsbank to give gold in exchange for its notes, has assumed an importance which it had not before. Even if it were desirable to keep out gold and foreign exchange, this could not be done; and it is not for Cassel to raise his voice against the unrestricted importation of gold, as he has been the great opponent of any such restriction in Sweden.

From the French
Translated - NL
Checked - RB.

/EP.

Doc. No. 44.

29 January, 1925.

NOTE by M. GAILLET-BILLOTTEAU

on

THE DEUTSCHE VERKEHRS-KREDIT BANK.

Doc. 44.

I.I. 9.421. 29 January 1925.

ECONOMIC SERVICE.

THE DEUTSCHE VERKEHRS-KREDITBANK.

1. Origin and History.

The Deutsche Verkehrs-Kreditbank was created in June 1923 and succeeded the Pforzheimer Versicherungs A.G. As soon as it was created, it concluded with the Reichsbahn an agreement by which it guaranteed the deferred payments (Stundungen) granted to certain clients. It was founded by an Austrian, Herr Bronner, who got into financial difficulties at the beginning of 1924 and handed over his quota of shares to the Reichsbahn: the Reichsbahn Company now holds 70 per cent of the shares of the Bank, the capital of which is fixed at 2 millions.

The Board of Control is composed of the following members representing the Reichsbahn Company and the principal Banks and credit institutions:-

Chairman: FISCHBECK, formerly Prussian Minister of Commerce.

Vice-Chairman: HOLTZE, Ministerialdirektor in the Ministry of Transport.

JAHN, Director of the Financial Section of the Reichsbahn Company.

SCHEU, of the Reichsbahn Company,

PRINS, of the Reichsbahn Company,

BERGMANN, of the Deutsche Bank,

FLINSCH, of the Dresdner Bank,

von BLEICHROEDER } of the Bleichroeder Bank
von SCHWABACH }

MILLINGTON-HERMANN, of the Deutsche Bank

FISCHER, of the Commers- und Privatbank,

BODENHEIMER, of the Darmstädter und Nationalbank,

RITSCHER, of the Reichskredit Aktien Gesellschaft,

von WINTERFELDT } of the Kur- und Neu Märkischer
THIEME } Ritterschaftbank.

GRUND, President of the Chamber of Commerce of Breslau,

FORTHMANN, General Manager,

HECKER, General Manager.

II. Business transacted by the Bank.

The Bank transacts business of two kinds:-

1) For the settlement of deferred payments, it opens accounts for the customers of the Reichsbahn and supplies them with books of cheques which are accepted by the stations. These accounts have to be settled by customers on the 1st and 15th of each month, while the Company receives the sums due to it on the 4th and 19th of each month. The Bank charges a commission of 3 per mille per fortnight and allows the Company interest at the rate of 1 per mille on the sums due during the fortnight.(1)

2) It receives the available funds of the Company and invests them.

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(1) Up to the present it has long been the custom to grant respite of one month to customers whose monthly turnover exceeded a certain sum. Respite of one day was granted to all consignors against payment of commission of 1 per mille.

These funds enjoy the usual market conditions for day-to-day or monthly loans.

III. During its session which ended on 23 January 1925, the Board of Directors of the Reichsbahn Company decided that the Company might continue to entrust the administration of its available funds to the Deutsche Verkehrs-Kredit Bank, on condition that the latter should not become an ordinary credit institution by undertaking General banking operations. The money must be entrusted only to first-class firms, and the credit operations of the Bank must be approved by its Board of Control, the composition of which is regulated by the Board of Directors of the Reichsbahn Company, which holds the majority of the shares; three of its members are officials of the Reichsbahn Company.

IV. The available funds of the Reichsbahn Company, accumulated partly with a view to the next payment on reparation account, amount to almost 200 millions, of which more than 100 millions, deposited with the Deutsche Verkehrs-Kredit Bank, bears interest, while the remainder, which is deposited with the Reichsbank, does not yield interest.

V. The Transport Committee of the Reichsverband der deutschen Industrie (Association of the Reich for German Industry), which likewise examined the proposed reforms, had no fault to find with them, on condition that:-

1) the Reichsbahn Company does not grant the Deutsche Verkehrs-Kredit Bank a de facto monopoly, by concluding a definitive engagement with it;

2) the Reichsbahn Company retains a predominating influence over the Deutsche Verkehrs-Kredit Bank;

3) certain facilities are granted to persons using the railway.

From the French
Translated - BWS
Checked - RB.

DOC. 45

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, January 26, 1925.

THE PRESENT POSITION AND CONDITIONS IN REGARD TO CREDIT IN GERMANY.

The position in regard to credit, which is not yet normal, can be explained only by a brief review of the situation at the beginning of 1924 and the successive stages of financial reform during the year. This is the more necessary since the credit establishments - the Banks - were harder hit by the inflation than any other branch of commerce.

I.

THE POSITION AT THE BEGINNING OF 1924.

At that time, such funds as might have been called upon had disappeard or were lying hidden, and there was no longer any possibility of obtaining credit unter normal conditions, as much be reason of the general lack of confidence as by reason of the scarcity of money. The amount of ordinary money in circulation had, it is true, risen from 300 million gold marks, to which it had fallen by 31 October, to 2250 millions, but this increase had been used for the most part to cover the budget deficit. Further, the mixed nature of the currency in circulation precluded it from playing its habitual role, while the emergency currency (Notgeld) was used exclusively to meet the current requirements. Lastly,

those who were hoarding foreign exchange - the amount thus hoarded was estimated at 1 200 millions - were unwilling to part with such a valuable reserve, save in the last resort. Although the industries themselves and their means of production were intact, their working funds had been reduced to a minimum which obliged them to live from hand to mouth. Worse than this, the savings of the country which, before the war, constituted the most important source of credit, either no longer existed or had been converted into "gold values" and thus become useless as liquid assets.

The principal sources of credit before the war were:

1- The Reichsbank,

2- The Banks - in particular the deposit banks,

3- The credit co-operative societies,

4- The savings banks,

5- Public institutions, such as the Seehandlung, Postal Service and Railways.

It is impossible to compare the figures for December 31,1923 with those for December 31,1913 for these various categories, as the data for the figures on December 31, 1923 are in many cases incomplete. The following indications, although very incomplete, will give a rough idea of the opportunities for obtaining credit at the end of 1923:

	Dec.31,1913	Dec. 31,1923.
	in millions of marks	
1- Total currency in circulation	6 100	2 274 (not including unauthorised Notgeld)
2- Credit accounts		
a) in the Banks	9 641	?
of which..... in the 4 "D" Banks	4 267	895(*)
b) in the Credit Co-operative Societies	3 000(approx)	100 (approx)
c) in the savings banks	19 689(**)	400 (approx)
of which..... in Berlin and Westphalia	2 562	41.6
3- Credits accorded:		
a) Reichsbank (drafts and loans on securities)	1 592.2	464
b) "D" Banks (drafts, and loans on securities and goods).....	5 186.2	481.2

These figures suffice to show that the savings had been reduced far more considerably even than the liquid capital of the concerns, and, further, that the banks had lost their importance as individual institutions in face of the ever growing influence of the Reichsbank, which had become not only

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(*) It should be noted that the 4 "D" Banks have, since 1913, absorbed several important establishments and now deal with about two-thirds of the total deposits.

(**) Of which the greater part was used for long term investments, principally mortgage investments.

the bank of the Banks, but the principal dispenser of credit.

In the circumstances, exorbitant rates were naturally charged for the loan of money. The Reichsbank even asked 90 per cent for non valorised credits, and, for valorised credits (or credits in Rentenmarks), 10 per cent plus a sum sufficient to cover any loss on the exchange. On the public market, the rate charged for such sight credits as were obtainable was 80 per cent, or 300 per cent per mensem; it was literally impossible to obtain money for any longer period.

II.

THE POSITION IN REGARD TO CREDIT IN THE COURSE OF 1924.

After the beginning of January, the situation rapidly changed, thanks to the action of the Rentenbank. Its first credits had been allotted exclusively to the Reich, but, either because they were used for the reimbursement of Treasury Bonds discounted by the Reichsbank, or because they went to feed the Treasury, they found their way back to the money market through the Reichsbank and the public institutions, (postal service, railways, Seehandlung). The recent action taken by the courts (see NOTE No. 1 of January 12, 1925) seemed to point to the fact that these latter funds were not always judiciously employed.

On the other hand, the Rentenbank directly supplied the business world with credits, which amounted, on March 31, to 870 millions.

The Reichsbank, for its part, increased its portfolio (non-valorised bills) from 307.5 millions to 710 millions between

December 31, 1923 and March 31, 1924; the total portfolio increased from 464 millions to 1886 millions, and the total circulation from 2274 to 2824 millions.

This too rapid increase of the various sources of credits was not accompanied by an equivalent increase in production or an equivalent strengthening of the exchanges, and threatened to bring about conditions of apparent prosperity resembling those observed during the inflation period. The ever increasing demand for foreign exchange could be met only to a very slight extent (1 or 2 per cent); the mark abroad shewed, in February and the beginning of April, sure signs of weakening.(*)

It was then that the Reichsbank in order to put an end to this credit inflation, had recourse to that measure which marks the beginning of a real credit reform. It did not apply the classic remedy of raising the discount rate, which would no doubt have been ineffective in view of the abnormal conditions on the market, but decided on April 7, not in future to increase its portfolio beyond the figure already arrived at, and to restrict credits in the case of all fresh applications. This decision of the Reichsbank let loose the crisis which had been latent since the stabilisation of the mark. This crisis manifested itself in the following ways:

a) by a trade depression, of which the symptoms were a fall in prices, a rapid fall in the value of Bourse securities, and an enormous increase in the number of cases of bankruptcy and

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(*) At the same time a great strain was being put upon the market by the speculation on the rise of the franc, - which is said to have involved a loss of about 400 millions.

of concerns under supervision (Geschäftsaufsicht);

b) by violent fluctuations on the money market, where the rates of interest had gone up to 72 per cent in April, after having fallen at the end of January to about 18 per cent (sight money), only to fall once more to about 15 per cent at the end of June. Loans of money for more than one month were unobtainable, as there was no possibility of it being rediscounted;

c) by a temporary strengthening of the balance of trade, which began to shew a surplus of exports in June;

d) by a flow of the foreign exchange, which had hitherto been hoarded, into the market; the demand for foreign exchange was fully met after June 3.

At the same time, the creation by the Reichsbank of the Golddiskontbank was destined to facilitate transactions with foreign countries by means of rediscounts in cases other than those of bills made out in dollars or pounds. The highest figure reached for rediscounts was £14 millions (in October).

This restrictive policy has been maintained until the present time, though tempered by such action as the raising of the limit for credits by 10 to 15 per cent and more particularly by the facilities for rediscounting to an amount of 200 millions accorded to the Seehandlung in July; these 200 millions were to be devoted mainly to agriculture and the cereals trade.

This drastic but salutary remedy led to the stabilising of the mark and the general improvement in the financial situation. Many concerns which had had a mushroom growth

during the inflation period disappeared, but this was all to the good from the point of view of the community.

After the violent fluctuations of the first three months (April, May and June), the conditions of credit began to become more set; the slow but steady fall in the rate charged for loans of money continued under the influence of certain factors, which we shall observe when we come to the present situation.

III.

THE PRESENT SITUATION.

By refusing to finance fresh credits by means of the issue of notes, the Reichsbank obliged the business world gradually to return to pre-war conditions, both by utilising to the full the existing available assets and by creating fresh ones.

It is our intention to study the following questions:

The business assets at present available in Germany;

The uses to which they are put, and

The situation on the money market.

Any figures we give will only be approximate figures to indicate categories of quantity. There are scarcely any statistical data to hand, and, although the statements drawn up every two months by the great banks before the war have again been supplied to the Reichsbank since February 1924, they will not be published until next February.

The available assets are derived from two sources - internal (Treasury funds, savings, capital in the hands of the industries) and external, in the form of credits or capital

investments (since there is no favourable trade balance).

A. Foreign credits.

The present period is chiefly remarkable for the flow of foreign capital into Germany, which began about 5 months ago. During the first half of 1924, German business was left to its own resources, and, apart from the credit of 5 million pounds sterling accorded to the Golddiskontbank in March and the loan to the Norddeutscher Lloyd of one million pounds sterling for 10 years in May, it does not seem to have received much assistance from outside. Upon the adoption of the Dawes Plan at the London Conference, however, and particularly since the loan of 800 millions proved so successful, an ever increasing flow of foreign credits into Germany has been observed. At the beginning, when the German industrialists first saw opportunities appearing for obtaining credits, there was rather an undignified rush, and multitudes of more or less authorised middlemen were observed - especially in America - where they went to solicit credits without being backed by sound references; since then, however, things have calmed down, and the movement has been conducted into regular channels.

Apart from the Dawes Loan, which is of a unique character, and of which we shall not speak here, this participation in German business on the part of foreign capital takes the most varied forms, from simple banking credits to the purchase of securities and the acquisition of interests in concerns.

1- Short term credits.

Hitherto, short term bank credits, have been by far the most frequent method of participation, and the following are the three most usual forms:

a) Rembours-Kredit, or credit on bills of exchange. This form of credit is used exclusively for import or export transactions and is the most usual form in America, Great Britain and Holland. It is accorded for three months and is often extended on mutual agreement until nine months. The interest asked is from 6 to 7 per cent.

b) Credit granted by means of acceptances. The guarantee of a German bank is usually required for this kind of credit. Like a Rembours-Kredit, it is concluded for three months and may be extended to nine months, but the incidental expenditure is greater, as, in addition to the rate of discount, there is the commission taken by the German Bank which endorses the bill.

c) Credit granted through a current account. Credits opened in this way may be employed up to 80 per cent. There again the guarantee of a bank is demanded more often than not.

As has been observed, these are purely commercial credits, which are nearly always obtained through banks. Rembours-Kredite, which are more numerous than any other kinds of credit, do not actually bring any money into Germany; firstly, they are covered by exports (manufactured articles exchanged for raw materials), and secondly, they represent goods received into Germany and payable at a later date - in fact, they serve to free capital, but not to bring in fresh capital.

The Germano-Dutch Credit, which was negotiated more than four years ago but is still running, must be considered to be a Rembours-Kredit. This credit was opened in May 1922 by the Netherlands in favour of Germany for a period of ten years; it amounts to 140 million florins (about 238 million R.M.); interest is only chargeable on that part of the credit actually utilised. The object of the credit was to finance purchases of raw materials for German industry, and is in the form of Rembours-Kredite renewable up to nine months or even one year. The credits to be granted are decided upon by a Committee of Trustees, which includes the principal representatives of Banking and industry. The guarantee required may be in the form of goods, securities, or a banking surety. The interest amounts to 6 1/2 per cent per annum, plus 1 per cent commission.

This credit was not in great demand at first (it was combined with another credit of 60 million florins for the purchase of foodstuffs - which credit was not renewed in 1923), and in 1921 it was only utilised to an amount of 21 million florins. When the mark fell in 1922, however, its value began to be appreciated and, at the end of 1922, attempts were made to increase it. According to a recent report of the Amsterdamsche Credit-Maatschappij, it is at present being utilised to an amount of 119 million florins (202 million RM).

2- Long term credits.

Long term credits are important for German business and especially for credit in Germany, but in quite a different way. These credits are generally transferable, and are a means of

supplying the internal market with fresh capital. As more confidence in the future of Germany was required in the case of these credits than in the case of Rembours-Kredite, they became popular much more gradually: but since gold balance sheets have been drawn up and the charges upon industry under the Dawes Plan have been fixed, and it has consequently become possible to estimate the true financial position of the concerns this form of credit has come into much more frequent use.

These credits sometimes take the form of a simple credit (especially in the case of banks), and sometimes of the purchase of interests or securities (shares or bonds).

They are of their nature calculated to be especially of assistance to the great banks, the powerful combines of the big industries (electricity, iron, coal, potash and dyestuffs).

We have drawn up a table of the principal known credit operations (see Annex II); this table is necessarily incomplete and does not always separate short term loans from those of which we are speaking here; nevertheless, we consider that the table is a useful list of the main credit operations concluded up to the present time. Some of the short term loans mentioned in the table have already been consolidated, and the others are likely to be consolidated or prolonged.

These loans are taken up in various ways, according to the character of the concerns which they finance. To illustrate this, we will take the three principal credit operations - those of the Deutsche Bank, Krupp's and Thyssen's:

a) The 40 million R.M. of shares of the Deutsche Bank (on a capital of 150 millions) handed over to the combine Schroeder and Speyer, are shares which enjoy the same rights as the other shares; reckoned at their par value, they mean an addition of 40 million marks to the Company's capital, to which must be added a percentage of the issue premium. We see therefore that the effect in this case is merely that foreign capital has been brought into the business and will henceforth be affected by its prosperity or misfortunes.

b) The Krupp Loan is a loan of 10 million dollars at 7 per cent - bonds being issued in New York at 99 1/4 (9 million dollars) and in Amsterdam (1 million dollars) at 98.5, reimbursable at the end of five years at par, or earlier at 102.5 per cent. It is guaranteed by goods (raw materials or manufactured products, in particular chromium steel), the inventory value of which must not fall below 150 per cent of the value of the bonds in circulation.

c) The Thyssen Loan is the same type of loan as the Krupp Loan: 12 million dollars worth of bonds were issued at 7 per cent, reimbursable in five years - but in instalments of 1/5th in each case at from 102.5 to 100 (102.5 the first year, 102 the second year and 100 the fifth year); some of these bonds were issued in New York and some (1 million dollars) at Amsterdam at 98.5. The Loan is guaranteed by a mortgage on the mining properties of the concern.

Loans of this kind have been multiplying recently; it is reported that the Haniel concern (coal and iron), Siemens', the

Elektro-Werke, the Allgemeine Elektrische Gesellschaft, the Wintershall group (potash) and the Sächsische Werke have concluded similar credit transactions, to amounts varying between 5 and 15 million dollars.

With a view to enlarging the market for loans, arrangements are being made to offer foreign markets mortgage bonds (Pfandbriefe), or convertible bonds.

The States and the Municipalities, ever since the beginning of October last, have displayed considerable interest in the possibilities of foreign borrowing; but up to the present, it seems that only two loans - both short term ones - have been concluded by Berlin and Cologne respectively. On November 1, the Reich took action and forbade public bodies to contract any external loan without its permission; it also decided to establish certain fixed rules to govern the uses to be made of these loans, and the rates of interest permitted to be paid on them. A committee of officials has just drafted these rules, and Prussia has just introduced a Bill determining the conditions which the communes shall be required to observe. The impending acceptance or rejection of this bill will no doubt have an influence on the conclusion of several loans, the negotiations upon which seem to have reached a very advanced stage; we cannot, however, deal with this point at greater length here.

What is the highest figure which the total capital thus placed at the disposal of Germany can reach? In the case of purely banking credits, it is not possible to give any exact

indication. At the beginning of December, the Reichsbank instituted an enquiry into this, but no reliable figures could be obtained, and it does not seem as if the results of the enquiry were even going to be published. Further, it would certainly be possible to obtain much more accurate data from the lending countries.

It was thougnt at the end of December that the amount of the banking credits accorded by America amounted to more than 100 million dollars; the amount of the securities invested was estimated at the same figure - without counting the loan of 800 million marks. Furthermore, it is only since January that most of the important credit operations have been concluded - (the Krupp and Thyssen loans for instance).

Then again, there are the British credits, which are very important as commercial credits (Rembours-Kredite for the most part), though the City has hitherto shown considerable hesitation in granting financial credits.

German business has also been generously financed by the Amsterdam market, apart from the old Germano-Dutch Loan; this market has associated itself with several American operations. Switzerland has also taken part in certain credit operations.

The list which appears in Annex II shows a total of 603 million marks. If we bear in mind the fact that this list only includes those transactions effected by the more important concerns, and that all the strictly commercial credits negotiated through the banks are outside the scope of the list, we shall see that the

figures of 1 500 to 2 000 millions of marks which are commonly given as representing the total credits accorded to Germany are probably approximately correct.

Consideration of the balance of trade and of the amounts of foreign exchange at present in Germany points in the same direction. At the end of 1923, the total foreign exchange hoarded in Germany was estimated at about 1 200 millions, in addition to which there was about 600 millions worth in gold and in foreign exchange at the Reichsbank, that is to say 1 800 millions of foreign media of payment. On December 31 1924 the deficit on the trade balance amounted to 2 700 millions, and the amount of reserves (gold and foreign exchange) held by the Reichsbank more than 2 000 millions, to which must be added at least 500 millions of foreign exchange in circulation and in the banks. If these figures are added together, although they can only be said to serve as an indication of the position, it will be seen that Germany must have disposed of 5 200 millions of foreign media of payments, whereas she only possessed 1 800 millions at the end of 1923; the difference of 3 400 millions, less the proceeds of the Dawes Loan, that is to say approximately 2 600 millions, must have been covered either by German money which has found its way back to the country, or by credits, many of which incidentally have not yet been employed.

This is not the place to examine the consequences to the economic life of Germany of this enormous influx of borrowed capital, and we will confine ourselves to recalling the warnings uttered by Dr. Schacht on December 15 last concerning

the danger of short term credits and the necessity of devoting all the money borrowed to the work of increasing production.

IV.

B. AVAILABLE ASSETS IN GERMANY.

Here again there are no exact data to hand, as the great banks have not yet published their balance sheets. Even if the figures were known, it would be impossible to distinguish between those assets derived from the increase in German liquid capital and those supplied by foreign sources; to the latter category must belong a good part of the credit balances of customers which figure in the Bank balance sheets. There is, nevertheless, one thing upon which all economists are agreed, and which we are in a position to observe in the light of our information - incomplete as it is - and that is the revival of the spirit of saving; in the savings banks, ordinary deposits are increasing more rapidly than giro accounts or current accounts, which last for the most part represent commercial and industrial assets.

If we will be content with fairly rough figures, the following may enable us at least to draw a comparison with those figures which we have indicated for the beginning of 1924.

	31-12-23	31-12-24
	in millions of marks	
1 - Total currency in circulation.....	2 274	4 300(Approx)

	31-12-23	31-12-24
	in millions of marks	
2 - Credit accounts		
a) in the banks	(?)	4 000 (?)
b) in the credit co-operative societies....	100	5 to 600
c) in the savings banks.....	400	2 000
3 - Credits accorded		
Reichsbank(Discounts and loans on securities)	464	2 081
(To this must be added 492 millions of bills re-discounted by the Postal Service of the Reich).		

Certain incomplete data confirm these rough figures. An old provincial bank of some importance (it had a capital of 20 millions before the war and now has a capital of 4 millions), the Hildesheimer Bank, has just published the first balance sheet which has come to our notice; the credit accounts have increased fourfold - from 2.1 millions to 8.4 millions. The discount rate has been raised from 0.8 to 3.7. In the Westphalian savings banks also, the deposit accounts have increased from 6.1 to 76 millions, and the transfer (giro) accounts from 29.3 to 58 millions.

Further, as we have indicated above, public institutions such as the Seehandlung, the Girozentrale, and the Reichskredit A.G. are now, thanks to the improved financial condition of the Treasury of the Reich and the concerns run by the State, in possession of large available assets which they are putting on

the market. For instance, the Postal Service is using the postal cheque funds mainly for bills which it has from the Reichsbank; these re-discounted bills amounted on January 15 to 605 millions, and almost half this amount is said to have been handed to the Postal Service.

These figures are infinitesimal compared with the pre-war figures, with the exception of those relating to operations of the Reichsbank, but we must not forget that by no means all the sums deposited were available to meet the demands for credit; most of them were tied up in mortgage investments in the case of the savings banks, or in the case of the Banks - and in this case to a lesser extent - in share holdings in other concerns. In view of this, it may be said that the actual difference between the amount of available assets before the war and those now is much less considerable than appears at first sight, and it has even been said - though this might be considered over-optimistic - that the amount of available money is as large now (if foreign credits are taken into account) as before the war (*).

However, money is of course very dear and credits for longer periods than one month are difficult to obtain. As a matter of fact this is due less to the scarcity of money than to the way in which it is employed. The habits formed during the period of the inflation have left their traces, and a normal state of affairs has not yet been re-established.

(*) See Lansburgh "Kreditpolitik" in "Die Bank" December 1924.

We have already seen that a large percentage of the available assets are derived from short term foreign credits, in the case of which there is always the fear that they will be withdrawn or that those who have granted them will refuse to extend them. Further, the demands for credit are much more numerous, many of the concerns not having been able to bring their working capital up to its former figure, and others which sprang up during the period of inflation, living more on credits than on their own resources. Consequently, the lenders are dominating the market and are seeking the shortest and the most advantageous investments. Credits from day to day (tägliches Geld) or monthly credits (Monatsgeld) are remunerative and do not tie up their money too much. The other forms of credit (<u>discount credits</u> and credits granted by means of <u>acceptances</u>) are neglected in favour of tägliches Geld and Monatsgeld. The Banks discount bills only when they are sure of being able at any moment to have them discounted at the Reichsbank, and the limit which the latter allows them is one which they hardly ever exceed. Before the war, the amount of bills in circulation was estimated at 9 milliards, of which 1.5 only was in the coffers of the Reichsbank. Now it seems that, apart from the 2.5 millions of bills discounted by the Reichsbank (including those rediscounted by the Postal Service), not more than 1 milliard is to be found in the Banks. Again, the period for which the bills can in fact be discounted is not generally longer than 45 days.

Credit by means of acceptances is still less frequent and for the same reasons; the <u>Deutsche Bank</u>, which had <u>acceptances</u>

to the amount of 284 millions in 1913, is said not to have more than a few millions at the present time.

This situation is enough to explain the uneasiness which is still apparent on the money market, in spite of the very considerable improvement which there has been during the last few months. The practical effect of this situation is that most bills find their way to the Reichsbank very quickly and that the Reichsbank, instead of controlling and regulating credit, is still the principal - if not the only - dispenser of it, where it is a matter of discounting. A state of affairs in which the Reichsbank is faced with the alternatives of increasing its note issue (which it cannot and will not do at any price) or refusing to supply business circles with the credits which they so urgently need, must be described as abnormal and undesirable. The industrialists are asking for a reduction in the discount rate and, in general, for a reduction of interest and especially of the commissions (Provisionen) which are still as much as 3 per cent per annum. The Reichsbank says that the possibility of such a reduction depends on whether or no it will be possible to build up the private discount market with a lower discount rate than its own. As a result of this, a campaign is being waged in favour of the reconstruction of the private discount market, but seems to have had little effect hitherto on Bourse circles. Only bills issued by the old-established and most reputable concerns (Prima-Privatdiskonto) have been in demand at all at 8½ per cent the last few days, and at 8 per cent today (plus commission). The ordinary rate of discount credits for clients is still above the official rate of 11 to 13 per cent, according to the quality of the

paper, and there are in addition the stamp duties which amount to 0.8 per annum. The banks are unwilling to take the course indicated by the Reichsbank , unless they can be sure that their bills will be rediscounted - that is to say, unless the Reichsbank consents to remove the restrictions to which they are subject. It is to be hoped, nevertheless, that they will yield to the Reichsbank, on this point, as they must know that they are sure to make up for what they lose on profits by the general development of their business.

V.

RATES OF INTEREST.

We have just indicated the current discount rates. As for money from day to day and at one month, its abundance has brought about a fall which is reported and illustrated by a graph in the weekly bulletin. It must be borne in mind that the rates given only apply to the market rates for transactions between one bank and another. For customers, the rate is much higher, and a commission is charged in addition. Money lent on a current account costs 16 1/2 per cent including the commission; this rate has just been reduced to 15 per cent, and the Seehandlung has even reduced it to 14 per cent. For advances on securities, 12 to 13 per cent is being asked, and the loan will not be for more than 30 to 40 per cent of the value of the cover. Loans on warrants are infrequent and dear (and incidentally discouraged by the Government and the Reichsbank who fear that reserves may be accumulated and prices driven up), except in the case of dock warrants with bills of lading. Finally, overdrafts beyond the limit of the credit accorded (Ueberziehungen) fetch 25 per cent.

Foreign exchange credits are naturally less dear - the average rates for credits in dollars being 7 1/2 and credits in pounds 7 per cent (the difference is due to the rising tendency of the pound); but these credits are, according to a recent decision of the Bankers' Union, not to be accorded unless the use to which they are to be put can be justified. It was found that foreign exchange credits were only demanded with a view to handing over the foreign exchange thus obtained to the Reichsbank, and obtaining marks for them; this shews what a large amount of foreign exchange there is on the market and the precautions which the Reichsbank has to take to prevent it accumulating too rapidly.

VI.

CONCLUSION.

To sum up, the present aspect of the money and credit market gives the impression of a rapid improvement. Although money is still dear, and long term credits (for three months and more) are difficult to obtain, these drawbacks are due less to the scarcity of money than to the difficulty of getting the delicate financial machinery, which was disorganised by the inflation, into working order once more; as a matter of fact, these difficulties act as a salutary check to certain abuses (speculation credits and too large a circulation compared with production, etc.) and an encouragement to rebuild the capital market. This process of rebuilding German capital is, next to the influx of foreign capital, the most important sign of the times; hitherto, the requirements of production have been met by means of foreign credits, but the time is coming when the abundance of such credits will constitute

a danger, unless some means of setting them off is found by creating internal liquid assets. Finally, the recent effort of the Reichsbank to induce the banks to resume their old functions as the principal credit organs of the country, and to confine itself once more to its main role of guardian of the currency of the country and regulator of economic conditions, marks a third stage on the road which will eventually lead to the reorganisation of credit.

(signed) L. GAILLET-BILLOTTEAU.

From the French: translated NL: checked RB.

DLC.

FOREIGN CREDITS

ANNEX II.

Borrower	Amount in foreign currency	Amount in R.M. millions	Interest	Period of loan	Lender	Nature of loan and other remarks
LOANS CONCLUDED						
1. Norddeutscher Lloyd (North German Lloyd)	1 000 000 £	20	8 %	10 years	Prudential Insurance Company, London.	Mortgage loan May 1924.
2. Deutsche Zucker Industrie (German Sugar Industry)	6 500 000 $	27.3	8 %	6 months	Chase National Bank and Syndicate	Bank credit repayable in exports
3. Metallbank in Frankfurt.	125 000 £	2.5	7.50%	-	English Syndicate	Transfer of Preference Shares
4. Gesellschaft für Elektr. Unternehmungen	-	5	Actions	-	Anglo-Belgo-Swiss Syndicate	Transfer of Shares
5. Kali Syndikat. (Potash Syndicate)	6 000 000 $	25.2	?		Chase National Bank	Export credit
6. Rheinisch-Westf. Kohlen-Syndikat (Rhenish-Westphalian Coal Syndicate)	5 000 000 $	21	9 %	6 months	?	Bank loan
- do -	2 500 000 $	10.5	?	3 months	Goldmann, Sachs & Co., New York	- do -
- do -	1 000 000 $	4.2	?	?	English Banks	- do -
7. Reichsbahn (Railways)	15 000 000 $	63		1 year	Syndicate of English & American Banks	Bank loan not yet drawn on.
8. Deutsche Bank	2 000 000 £	40	Actions	-	Schroeder & Speyer	Transfer of new shares at par and part of the profits on the sale.
9. Krupp	10 000 000 $	42	7 %	5 years	Sachs & Co. etc., Syndicate	Debentures: Mortgage on goods. 1 000 000 in Holland at 98.5 Issue price in New York 99 1/4.

10.Thyssen	12 000 000 $	50.4	7 %	5 years	Dillon,Read Co., International Acceptance Bank	Mortgage Bonds issued at 98.5
11.Berlin Municipality	3 000 000 $	12.6	7.50%	1 year	American Syndicate	Short term loan to be replaced by a long term loan
12.Cologne Municipality	2 000 000 $	8.4	?	?	- do -	- do -
13.Haniel Group	7 500 000 $	31.5	7 (?)%	?	Hidginson, Boston	Debentures
14.Wintershall Group	12 000 000 $	50.4	7.50%	?	Chase National City Bank	Export credit
15.Siemens	10 000 000 $	42	7 %	10 years	Dillon, Read & Co.	Debentures secured on assets(raw materials and manufactured products) repayable in part in 3 years, in part in 10 years: issued, the first part at 99, and the second part at 96½
16.Hamburg Municipality	10 000 000 $	42	?	?	?	
17.Allg.Elektrische Ges.	10 000 000 $	42	7 %	5 years	National City Bank	Debentures issued at 93 3/4 and repayable as from 1930 at 105
18.Sächsische Werke A.G.	15 000 000 $	63	7 %	20 years	- do -	Debentures issued at 92 (?).It is really the Saxon Government which is the Sole shareholder in the Sächsische Werke(mines and electrical power works)which is the borrower in this case
Total :		603.0				

I.I. 9 4111. Doc. No.46.

Berlin, 5 January 1925.

THE RETURNS OF THE REICHSBANK AS ON 31 JANUARY 1925.

The following is the comparison between the balance of the Reichsbank as on 31 January 1925 and the balance for the preceding week and the first balance published under the Law of 30 August 1924.

A S S E T S.

	In 1 000 marks.	Difference as compared with return of 23 Jan. 1925.	Difference as compared with return of 15 Oct. 1924.
1. Unissued shares of the Reichsbank	177 737	-	- 32 263
2. Gold reserve (bullion and bars)	834 231	+ 21 105	+ 220 606
Reserve	635 578	+ 21 105	+ 194 096
On deposit abroad	198 655	-	+ 26 510
3. Currencies available as cover	278 077	+ 7 036	+ 73 536
4. Other bills and cheques	1 770 733	+ 163 021	- 383 210
5. Small German coins	58 546	- 1 948	- 813
6. Notes of other banks	13 151	- 23 917	+ 13 151
7. Advances covered by pledges	81 703	+ 74 353	+ 65 756
8. Securities	110 077	+ 105	+ 32 560
9. Miscellaneous assets	1 506 634	- 240 971	+ 576 733

L I A B I L I T I E S.

1. Capital			
a) Original capital	90 000	-	-
b) Increase of capital decided on	210 000	-	-
2. Reserve fund	900	-	-
3. Notes in circulation	1 901 255	+ 351 240	+ 504 507
4. Other liabilities payable at sight	746 780	- 243 450	- 81 731
5. Loan from the Rentenbank	347 558	- 30 832	- 452 442
6. Miscellaneous liabilities	1 534 396	- 78 174	+ 595 722
Re-discounted bills payable in Germany	479 874	- 121 000	+ 223 674
"Gold" cover	43.9 %	52.5%(1)	43.9 %(2)
"Gold and foreign exchange" cover	58.5 %	69.9 %	58.6 %

(1) Cover as on 23 January 1925.
(2) Cover as on 15 October 1924.

During the last week of January the demands for loans and instruments of payment were exceptionally large.

In the return for 31 January, bills of exchange amount to RM 1 770.7 millions, which is an increase of RM 163 millions as compared with the preceding week; advances against security amount to RM 81.7 millions, which is an increase of RM 74.4 millions. The increase in the bills of exchange includes, it is true, RM 121 millions in re-discounts. The Reichsbank having refunded to the Rentenbank RM 30.8 millions in agricultural bills, the amount of fresh loans to trade was RM 147.2 millions.

The circulation of Reichsmarks and Rentenmarks shows a total increase of RM 541.8 millions. The circulation of Reichsmarks, having increased by RM 351.2 millions, is RM 1 901.3 millions, that of Rentenmarks, having increased by RM 190.6 millions, RM 1 790 millions. Including small coin and the notes of private banks of issue, the fiduciary circulation amounted at the end of January to RM 4.2 milliards (as against 4.3 milliards at the end of December 1924).

Simultaneously with this increase in the fiduciary circulation, deposits show a reduction of RM 243.4 millions, being now RM 746.8 millions.

Although the gold reserve has increased by RM 21.1 millions and the reserve in foreign exchange by RM 7 millions, the note cover is considerably lower than for the preceding week. Gold cover amounts to 43.9 per cent (52.5 per cent), and gold and foreign exchange cover to 58.5 per cent (69.9 per cent).

From the French
Translated - JMP
Checked - NL.

I.I.9. 4543. Doc. No.47.

Berlin, 10 February 1925.

THE GENERAL REGULATIONS OF THE MINISTRY OF FINANCE GOVERNING THE ACCEPTANCE OF FOREIGN CREDITS BY GERMAN BUSINESS MEN.

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On 20 January 1925, the Finance Ministry of the Reich addressed to the principal industrial organisations of Germany a circular letter on the acceptance of foreign credits by German industrialists and business men.

The text of this document is attached.

Berlin, 20 January 1925.

FROM: The Minister of Economic Affairs of the Reich.

TO:
1. Reichsverband der Deutschen Industrie, Berlin W.10, Konigin Augustastrasse 28.
(German Industrial Union of the Reich).

2. Deutscher Industrie- und Handelstag, Berlin C.2, Hinter dem Giesshause 3.
(German Association of Commerce and Trade).

3. Zentralverband des Deutschen Grosshandels E.V. Berlin W.8, Budapesterstrasse 21.
(Central Union of the German Wholesale Trade).

4. Centralverband des Deutschen Bank- und Bankiergewerbes, Berlin N.W.7, Dorotheenstrasse 4.
(Central Union of German Banks and Bankers).

5. Reichsverband des Ein- und Ausfuhrhandels.
(Reich Union of Import and Export Trade).

6. Hauptgemeinschaft des deutschen Einzelhandels
(Central Association of German Retail Trade).

The discussion which took place in my Ministry in regard to the taking up of private foreign credits, and the dangers thereby incurred, led to the opinion, in which I concurred, that a settlement of the question either by legislation or by administrative decrees would not appear expedient. The representatives of the economic associations convoked should make it their first duty to draw attention to abuses which have arisen on the part of their members and affiliated organisations in connection with the taking up of foreign credits, and to use their influence to prevent the repetition of such abuses in the future, by issuing explanations, warnings and information on the subject. The following points must be borne in mind in this connection:

1. It will usually be expedient to entrust the procuring of foreign credits to German banking firms which, in view of their foreign connections and technical experience will not cause damage to their clients by indiscriminate attempts to borrow abroad.

2. Where such a choice has not been made for any reason, the persons to be entrusted with procuring the credit must be selected with particular care, whether it is a question of special agents to be sent abroad, or professional middlemen. The persons chosen must obviously be such as are absolutely reliable, thoroughly versed in the technicalities of the transactions in question, and personally acquainted with foreign countries.

3. Precise limits will have to be set to all such applications for credit, in particular with regard to the amount which it is proposed to borrow. Such amount must not only be in a reasonable proportion to the total capital of the concern, but also to the security offered (guarantees, cession of merchandise as security, registered mortgages). Accurate and reliable information in regard to the undertaking requiring the credit is absolutely necessary, especially such as may concern any prior charges upon the said undertaking; in which connection it is worth noting that cases have come to light where credits have been promised which quite clearly were intended to serve for purposes of commercial espionage.

4. Experience has shown that small or very small concerns generally only receive foreign credits direct through the channels with which they do business in general. The intervention of German banks is generally necessary when such concerns require purely financial credits. The attempts to raise direct collective credits abroad do not appear to have led to any tangible results as yet, apart from the Dutch trustee agreement which has been working successfully for some years.

5. Credit applications should only be made abroad through one channel. Experience shows that applications made at one and the same time in different quarters become known very quickly, and prejudice the reputation of the borrower. Coded offers of credit or offers from third parties should on principle be avoided.

6. For purposes of foreign borrowing it is natural in the first instance to consider those firms which are engaged in export trade, since such firms recollect the foreign exchange in the normal course of exportation, or hold its equivalent in the form of imported goods, which can be reconverted into foreign exchange as desired.

7. Foreign credits to be devoted exclusively to German internal requirements should be avoided as much as possible. It is only in the case of productive undertakings, such as water power exploitation, electricity works, or the means of transportation, where the capital requirements cannot be satisfied by the impoverished home market, that financing with the assistance of foreign capital appears defensible.

8. With regard to rates of interest, the rate of the Dawes Loan should be taken as the maximum. Credits it may be added, have been concluded at lower rates of interest since that Loan was floated.

9. In many cases, the parties granting the credits have made them conditional upon option rights. In the case of short-term loans for example, the option to convert into long-term loans is often stipulated. In other cases an option to take up shares in the borrowing concern at specified rates is reserved. It goes without saying that such proposals especially those of the latter category, must be approached with extreme caution; and the possibilities of hampering restrictions and irksome burdens arising must be closely scrutinised.

I would request the Central Associations to pass these general principles on to all organisations coming within their influence; to report to one another, and to me, special information which may come to their knowledge, whether with regard to the persons of middlemen or the terms obtained in particular cases, and in general to use their influence to induce all parties who are in a position to cover their credit requirements on the home market on reasonable conditions, to avoid foreign credits as far as possible.

(Signed) NEUHAUS.

From the German
Translated - CFH
Checked - RB
/EP.

I.I. 9.34.

Doc. No. 48.

Berlin, 9 February 1925.

PUBLIC DEBT OF THE REICH AS AT 31 DECEMBER 1924.

The review "Wirtschaft und Statistik" (1925, No.2) publishes an abstract (copy of which is enclosed) of the Public Debt of the Reich as at 31 December 1924. The various items of the Debt were explained in Document No. 21.

The return for December shows the large reduction of RM. 350 millions in the item "security". The Treasury Bonds issued during the war as cover for the Turkish pound notes in circulation have disappeared.

The item "Drafts on the Treasury" (Treasury Bonds in Reichsmarks) shows a reduction of RM. 25 millions (see Document No. 41).

As a result of the fresh rally in foreign exchange, the value of the External Loan in Reichsmarks has risen. The nominal amount of the Dawes Loan at the same time shows a reduction, since one-twelfth of the annual Sinking Fund for the redemption of the loan was remitted to the countries issuing the loan on 15 November 1924, and another twelfth on 15 December 1924. For 1925 (16 October 1924 - 15 October 1925) the Sinking Fund may be tabulated as follows:-

	Annual payment to Sinking Fund.	Monthly payment to Sinking Fund.
Dollars	4 620 000	385 000
Pounds sterling	337 711	28 143
Swedish crowns	398 425	33 302
Lire	1 581 052	131 754
Swiss francs	237 158	19 763

The debt return as at 31 December 1923 and 31 December 1924 may be summarised as follows:

	1923	1924
	in millions of Reichsmarks	
Treasury Bonds	1 062.4	375.5
Debts to banks	1 435.5	1 435.5
External Loan	-	939.9
Miscellaneous	494.9	144.0
Total	2 992.8	2 894.9

PUBLIC DEBT OF THE REICH IN MILLIONS OF R.M.

	31 Dec. 1923	31 March 1924	30 June 1924	30 Sept. 1924	31 Oct. 1924	30 Nov. 1924	31 Dec. 1924
I. TREASURY BONDS.							
Paper marks	2.0	-	-	-	-	-	-
Dollar Bonds	210.0	210.0	210.0	210.0	-	-	-
6% Redeemable in 1935	441.3	228.6	43.0	30.0	29.0	28.0	25.0
6% " " 1932	370.0	250.6	8.0	2.0	1.9	1.9	1.9
"K" Bonds	39.1	31.4	12.0	2.0	1.7	1.6	1.6
"E" Bonds	-	-	85.0	307.0	313.0	317.0	317.0
R.M. Drafts	-	148.9	132.9	76.1	70.0	55.0	30.0
Total	1 062.4	869.5	490.9	627.1	415.6	403.5	375.5
II. DEBTS TO BANKS.							
Rentenbank without interest	200.0	200.0	196.5	196.5	196.5	-	-
" with interest	1 000.0	900.0	1 000.0	1 003.5	1 003.5	1 200.0	1 200.0
Reichsbank	235.5	235.5	235.5	235.5	235.5	235.5	235.5
Total	1 435.5	1 355.5	1 432.0	1 435.5	1 435.5	1 435.5	1 435.5
III. EXTERNAL LOAN.							
110 million dollars	-	-	-	-	462.0	462.0	458.9
21.36 " £ sterling	-	-	-	-	405.7	416.0	422.6
22.5 " crowns	-	-	-	-	28.2	28.5	28.5
100 " lire	-	-	-	-	18.3	18.3	17.7
15 " Swiss francs	-	-	-	-	12.1	12.2	12.2
Total	-	-	-	-	926.4	937.0	939.9

III. EXTERNAL LOAN.							
110 million dollars	-	-	-	-	462.0	462.0	458.9
21.36 " £ sterling	-	-	-	-	405.7	416.0	422.6
22.5 " crowns	-	-	-	-	28.2	28.5	28.5
100 " lire	-	-	-	-	18.3	18.3	17.7
15 " Swiss francs	-	-	-	-	12.1	12.2	12.2
Total	-	-	-	-	926.4	937.0	939.9
IV. OTHER DEBTS.							
Other commitments	27.4	27.4	27.4	18.6	18.6	18.6	18.6
Security	467.4	447.7	444.0	461.0	461.3	469.0	116.4
Loan to agriculture (Meliorations Kredit)	-	-	6.0	6.0	9.0	9.0	9.0
Total	494.9	475.1	477.5	485.6	489.0	496.7	144.0
Grand Total	2 992.8	2 680.1	2 400.4	2 548.2	3 266.5	3 272.7	2 894.9

QW.

Documentation No. 49

I.I. 9.413

Berlin, 13 February 1925.

THE MONTHLY BALANCE SHEET OF THE RENTENBANK

AS ON 31 JANUARY 1925.

The following is the comparison between the balance of the Rentenbank as on 31 January 1925 and the balance as on 31 December 1924 :

ASSETS	Balance as on 31.1.25.	Difference compared with balance as on 31.12.1924.
Charges on German industry.	2 000 000 000	-
Amount of Rentenbriefe as on 31.12.24 : 1 999 844 000 " " 31.1.25 : 1 999 844 000		
Loans to the Reich	1 186 666 667(1)	- 13 333 333
Outstanding credits	780 334 583.57	-
Cash in hand; Transfer (Giro) accounts postal cheques and Bank assets.	202 739 365.22	+ 10 722 012.20
Office Furniture and supplies	73 640.51	+ 592
Miscellaneous assets	-	- 6 466 465.08
LIABILITIES		
Capital	2 000 000 000	-
Reserve	-	-
Rentenbank notes in circulation	1 966 845 250(1) (2)	- 13 333 333
Rentenbriefe in circulation	156 000	-
Miscellaneous liabilities (interest accrued on Rentenbriefs)	2 425	- 1 200

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(1) The Reich made, conformably with § 75 of the Law on the liquidation of Rentenmark notes, a first payment of RM 13 333 333 for the Rentenmark sinking fund. The Rentenbank issue is accordingly reduced by the same amount.

(2) According to the balance sheet shewn above, the Rentenmark circulation was RM. 1 966 845 250 on 31.1.25. The Reichsbank statement of the same date, however, shews a Rentenmark circulation of 1790 millions only. According to the "Berliner Tageblatt", this difference is due to the fact that the methods of accountancy are different in the two banks.

GS.

I.I.9. 4111

Doc. No. 50.

Berlin, 13 February 1925.

THE RETURNS OF THE REICHSBANK AS ON 7 February 1925.

The following is the comparison between the balance of the Reichsbank as on 7 February 1925 and the balance for the preceding week and the first balance published in conformity with the Law of 30 August 1924.

A S S E T S

	in M.1000	Difference compared with balance as on 31 January 1925.	Difference compared with balance as on 15.10.24.
1. Unissued shares of the Reichsbank	177 737	-	- 32 263
2. Gold reserve (bullion and bars)	844 807	+ 10 576	+ 231 182
Reserve	646 154	+ 10 576	+ 204 672
On deposit abroad	198 653	-	+ 26 510
3. Currencies available as cover	281 602	+ 3 525	+ 77 061
4. Other bills and cheques	1 646 832	- 123 901	- 507 111
5. Small German coins	60 535	+ 1 989	+ 1 176
6. Notes of other banks	22 382	+ 9 231	+ 22 382
7. Advances covered by pledges	47 105	- 34 598	+ 31 158
8. Securities	109 878	- 199	+ 32 361
9. Miscellaneous assets	1 627 549	+ 120 915	+ 697 648

L I A B I L I T I E S

1. Capital a) Original capital	90 000	-	-
b) Increase of capital decided on	210 000	-	-
2. Reserve fund	900	-	-
3. Notes in circulation	1 839 531	- 61 724	+ 442 783
4. Other liabilities payable at sight	818 710	+ 71 930	- 9 801
5. Loan from the Rentenbank	326 054	- 21 504	- 473 946
6. Miscellaneous liabilities	1 533 232	- 1 164	+ 554 558
Re-discounted bills payable in Germany	539 874	- 60 000	+ 283 674
"Gold" cover	45.9%	(1) 43.9%	(2) 43.9%
"Gold and foreign exchange" cover	61.2	58.5	58.6

(1) Cover as on 31 January 1925.
(2) " " " 15 October 1924.

At the end of last month, the Reichsbank had appreciably improved its balance sheet. The improvement was, however, less considerable than the preceding month.

Bills and advances on securities have fallen to 1693 million Marks (a fall of RM 158). Credits repaid by private business do not indeed exceed 77 million RM, the Bank having increased its re-discounts by 60 million RM and remitted to the Rentenbank 21.5 million RM in Agricultural bills.

The amount of Reichsmarks and Rentenmarks in circulation has fallen by 137.1 million RM; the amount of Reichsmarks in circulation having fallen to 1839.5 million RM (a fall of 61.7 million RM), and the amount of Rentenmarks in circulation to about 1 715 million RM (a fall of 75.4 million RM).

Deposits are shewn in the balance sheet as 818.7 million RM - 71.9 millions more than the preceding week.

The "Gold Reserve" has increased by 10.6 million R.M, "Currencies available as cover" by 3.5 million RM.

The cover is considerably larger than the preceding week. The "Gold" cover is 45.9 per cent (as against 43.9 per cent), and the "Gold and foreign exchange cover" 61.2 per cent (as against 58.5 per cent).

From the French
Translated - NL.
Checked - RB.

QW.DR.

Doc. No. 51

ECONOMIC SERVICE Berlin, 10 February 1925.

I.I.9. 4543

THE EFFECTS OF FOREIGN CREDITS UPON GERMAN ECONOMIC LIFE.

In a previous note (see Doc. No.45), we shewed the importance of the foreign credits - especially American credits - accorded to Germany during the last few months. The economists, business men and bankers, who welcomed with satisfaction this introduction of new blood into Germany's exhausted frame, are now beginning to speak of the possible dangers attending it. The President of the Reichsbank, Dr Schacht, has been uttering such warnings ever since the Bankers' Conference on 15 December of last year (see Doc. No.25). Dr Schacht observed that most of the credits accorded hitherto have been short term credits, and he warns those whom it may concern that these advances are withdrawable at will and urges that they should be devoted only to short term self-liquidating transactions. The policy of the Government of the Reich since 1 November of last year has been to prevent the States and Communes from contracting loans, save with its express permission and on certain specified conditions; and on 2 February 1925 it addressed to the various industrial, commercial and banking organisations (see Doc. No.47) a circular letter containing advice as to the procedure for borrowing, and a warning against the dangers of using credits exclusively for the benefit of the home market, and the perils of excessive rates of interest, costly options etc. ..... Finally, the banks themselves in their monthly circulars, and in their reviews and financial journals, lay stress on the dangers in the future, which an appeal for too extensive credits at the present time may involve.

If opinion in Germany is already beginning to evince some anxiety on this score, those countries who are creditors of Germany - whether as regards private debts or Reparation debts - have all the more cause to follow with the closest observation the effects of this abundance of foreign capital.

These effects vary according as the loans are short-term loans or long term loans, and are first observable in the internal economy of Germany and only later in her foreign business relations. We shall attempt to observe these distinctions, while fully realising that they are to some extent artificial, and that the various forces involved in practice so react upon one another as at times to be hardly distinguishable from one another.

First, the division of credits into short term credits and long term credits is not a hard and fast division. Many short term credits are being consolidated, or will be renewed automatically while on the other hand certain long term credits recently accorded were granted on conditions involving rapid amortisation and so resemble the former category. Generally speaking, all bank credits concluded for the purpose of commercial transactions, for a period of less than one year, may be considered to be short term credits.

I. SHORT TERM CREDITS.

Although other forms of credit are becoming more frequent, short term credits still account for the greater part of the foreign capital placed at Germany's disposal. They are normally acquired to finance the import and export trade with foreign countries. They existed before the war (British and French Banks

sometimes had more than a milliard of marks in Germany); and the fact that they have so increased in extent is due to the shortage of working capital in German industry.

The effects of these credits on the economic life of the country vary with the use made of the credits by those to whom they are accorded.

a) The borrower may <u>leave the money abroad, and use it for purchasing supplies of goods there</u>. This is what happens in the case of most of the British credits, and also in the case of the Germano-Dutch Credit. Where this is done, the goods are delivered immediately against deferred payment. The quantity of available goods has increased in Germany, while the amount of currency has not increased; and this has tended to a fall in prices.

The use to which the goods thus imported into the country are put will determine in large measure the ease with which repayment of the foreign credit may be made. This repayment will be most easily effected if the goods imported are raw materials to be worked up into goods which will be later exported; repayment will be also facilitated if the imports are either food stuffs, manufactured goods, or raw materials for the manufacture of finished products which are to be consumed in Germany in place of similar food stuffs or manufactured goods previously imported; and the repayment will be facilitated in the smallest measure, if at all, if the imports are food stuffs or other products for consumption in Germany without diminishing the need for similar products hitherto imported, or assisting the fabrication of goods in Germany which are later exported.

b) The borrower may transfer the credit to Germany. There are three ways in which he may use the foreign exchange acquired in this way:

1. He may use it directly as an instrument of payment. This is still done frequently in the textile industry, where accounts are often settled in foreign currency.(x) It is possible also in many branches of the export industry, where invoices are expressed in the currency of the importing country rather than in marks.(xx) This leads to disguised inflation, which can only be combated by the Reichsbank restricting the discount facilities of industries which settle their accounts in this way.

2. He may exchange it for Marks - directly or indirectly - with the importers, who use it for the importation of foreign commodities in corresponding amounts, thus leaving undisturbed the internal balance between commodities and currency. In such a case the position becomes the same as in the first hypothesis (credits left abroad): there is neither inflation, nor a rise in prices.

3. He may convert it into Marks without having an opportunity of retransferring it to the foreign country. Whether he asks a bank for a credit in Marks against foreign exchange cover, or takes his foreign exchange direct to the Reichsbank, the result is the same: an increase of the foreign exchange reserve of the Reichsbank (the intermediary bank having to hand over its foreign

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(x) The Congress of the retail textile trade has just decided that this method of settlement is undesirable, and by doing so confirms the fact that this method is in use.

(xx) The greater part of the export trade from Germany to Great Britain at the present time is invoiced in £ sterling instead of Reichsmarks.

exchange to the Reichsbank in order to procure Marks), an increase in the circulation, and the creation of additional purchasing power, to which there is, for the moment, no corresponding additional production.

This produces a danger of inflation by credit, and of a rise in prices against which it has been considered advisable to take precautions. The Reichsbank has asked the banks to accord foreign exchange credits only where the borrower demonstrates clear business need for making payments or purchases abroad, and the President of the Reichsbank has let it be understood that the bank will sell its holdings of foreign exchange only against Marks and not against credit instruments such as promissory notes or other forms of borrowing. Those who have borrowed abroad are warned that when their foreign credit matures they will not be able to borrow from the Reichsbank the foreign currencies necessary to pay it off; they will have to buy such foreign currencies with Marks. This is an automatic safeguard against the irresponsible increase of internal circulation based upon foreign credits.

In fact, the liquidation of these credits will depend upon the use which has been made of them. Most of the credits acquired are reconstruction credits (Ankurbelungskredite), designed exclusively to maintain working capital, and rapidly finding their equivalent value in commodities or exchangeable services. If the borrower invests these credits, either by using them as the original capital of a newly founded concern, or by paying back credits which he has from the home market (attracted by the low rate of interest) he runs the risk of being unable to meet his engagements as they fall due, without making fresh appeals for credit. Further, it

is not sufficient to obtain merely an increase in production. Increased production must, if it is to be of any use, lead ultimately to an increase in exports or a reduction of imports. If it were used exclusively for purposes of internal consumption (without replacing to a corresponding extent goods previously imported) it would give an impression of prosperity for the time being, without providing any foreign currencies with which to pay off the expired credits.

There can of course be no question of Germany's trade balance, which is still very unfavourable, becoming favourable over night in such a way as to allow of the credits accorded being automatically reimbursed in a few months. It is sufficient if the improvement is sufficiently considerable during the next few months, to permit Germany gradually to reduce the amount of the floating credits to a figure corresponding to the normal requirements of trade. If this improvement cannot be effected, there is reason to fear a grave economic crisis, if not a currency crisis.

II. LONG TERM CREDITS.

Unlike the credits which we have dealt with above, these are loans, the proceeds of which usually find their way to Germany. The utilisation of the foreign exchange derived from these loans may involve the same difficulties which we observed above, if this foreign exchange is converted too hastily, and the amount of currency increased, without a corresponding increase in production. The danger is the greater in that the lender can no longer hope to be reimbursed in the near future.

On the other hand, these credits are, of their nature, calculated to be of use, not only for the replenishment of working capital, but also to some extent for expenses in connection with initial outlay for the foundation of new branches or concerns. This method of using credits is perfectly legitimate in the case of enterprises giving a rapid turnover, but can be dangerous in other cases, owing to the comparatively short periods allowed for amortisation (five to ten years, and twenty years in one case only). Since the war, German industry, and especially the heavy industry (Schwerindustrie) which has been the one to benefit from the majority of the long term credits, has been constantly supplementing and perfecting its means of production. During the inflation period, this constituted for the heavy industry, at once a safeguard for the present and a security for the future. The result is however that most of the German factories are now unable to utilise anything like their full paper capacity of production. The first thing to be done, before making fresh extensions not likely to bring a quick or safe return, would seem to be to endeavour, with the aid of foreign capital, to derive a full return from the already existing material. It may well be asked if the Rhenish-Westphalian industry, the working capital of which has been replenished in part by means of the "Ruhr compensation", is not in danger of being led by its traditions to invest for too long a period the capital advanced to it for a few years only. If it does so, the capacity of production may so far exceed the available markets that it will be difficult for German business to operate with a profit during the coming years.

We cannot however leave this subject without making a few qualifying remarks. A loan like that of the Sächsische Werke (see attached annex), which has given rise to such bitter criticism, is perfectly justified, although it is in the nature of capital outlay. This is an enterpriso of public utility - the production and supply of electric current - and every improvement here has an immediate effect on production as a whole.

III.

In spite of the danger of the borrowers losing their heads, there is no doubt that German industry must have foreign assistance during the period of the replenishment of the working capital of the country, which was destroyed at the time of the inflation. It would seem undesirable - except in the case of the States and Communes - to set up bureaucratic interference calculated to strangle private initiative; private business is the best judge of its own requirements. It is conceivable of course that this liberty of action may be abused to the detriment of the community at large, and of the foreign creditors of Germany; and it must be limited by a variety of restrictions, banking, financial and economic.

1. We have seen that borrowings in foreign currencies may lead to an increase of domestic currency out of proportion to the business requirements of the country. In such an event the Reichsbank alone is in a position to avert a monetary crisis.

2. In normal times (that is to say, times when no action on the part of the Reichsbank would be considered expedient) the fall in the price of money resulting from such increase of domestic

credit would diminish the inducements for foreign lenders.

3. If these credits are to be liquidated, the financial and taxation policy of the Reich must be such as to encourage the export of German products; and it is to the interest of Germany's creditors to place no obstacles in the way of such exports.

4. If exports are to be encouraged, domestic prices must remain low and domestic consumption, at least during the first few years of German recovery, reduced.

It is no good disguising the fact that, although the regulations relating to banking transactions will probably be effective, the other regulations, even if enforced with energy and perseverance, will soon become impossible of full application, owing to the interplay of economic forces. There is at present a large demand on the home market for the products of all branches of industry, while the demand abroad is only gradually increasing. This is natural during the present transition period, but cannot continue for long without danger. If there is not a rapid improvement in Germany's trade balance during the coming year the necessity for buying foreign currencies to pay interest upon and to repay the principal of loans contracted abroad may lead to a restriction of marks available for circulation in Germany, a consequent decline in business activity, fall in prices, and reduction of Government revenue.

(signed) L. GAILLET-BILLOTTEAU.

Annex

THE AMERICAN LOAN TO THE "SAECHSISCHE WERKE".

The Sächsische Werke A.G. is a holding Company with a capital of 40 millions, which since 14 March 1924 (with retroactive effect as from 1 April 1923) has administered all the mining and electrical enterprises and domains of the State of Saxony, the latter being the sole shareholder of the company.

After negotiations, which began in the month of November last, the Sächsische Werke have just contracted a bond loan for 15 million dollars (63 million gold marks) at 7 per cent, redeemable in 20 years to commence as from the tenth year (redemption is optionable after the fifth year). The loan, which was negotiated by the Saxon State Bank, Arnhold Brothers, the Deutsche Bank and the firm of Warburg, was issued by the National City Company on 3 February 1925 at 92 (?).

This loan is the first actually granted to a German State.

It has given rise to certain criticisms.

1. The loan is said to be for an amount out of proportion to the capital.

2. Having been accorded to a concern which does not export, but confines its efforts to working coal and lignite mines and to the production of electric power, there is no corresponding increase of exports, and it may therefore be said to tend towards inflation of the currency.

3. The State of Saxony being the actual borrower, should have been authorised by the Reich.

These criticisms have been replied to as follows:-

1. That not only American, but German experts (in particular the A.E.G.) have, after thorough examination, come to the conclusion that the loan would prove a good investment and be of use. By enabling work to be undertaken which would reduce the cost of electric power, and render the import of Czecho-Slovak lignite unnecessary, the loan will facilitate production and, indirectly, exports.

2. The loan was concluded with the approval of the Finance Minister of the Reich, the Presidents of the Reichsbank and the Prussian State Bank, and the representatives of the States of Saxony and Bavaria.

From the French
Translated - CFH
Checked - RB

EP.

I.I.9. 4111

Doc. No. 52.

Berlin, 19 February 1925.

THE RETURNS OF THE REICHSBANK AS ON 15 February 1925.

The following is the comparison between the balance of the Reichsbank as on 15 February 1925 and the balance of the previous week and of the first Return published in conformity with the Law of 30 August 1924.

A S S E T S

	in 1000 mks.	Difference as compared with the balance of 7 Feb. 1925. in 1000 mks.	Difference as compared with the balance of 15 Oct. 1924. in 1000 mks.
1. Unissued shares of the Reichsbank	177 212	- 525	- 32 788
2. Gold reserve (bullion and bars)	865 795	+ 20 988	+ 252 170
Reserve	667 142	+ 20 988	+ 225 660
On deposit abroad	198 653	-	+ 26 510
3. Currencies available as cover	288 598	+ 6 996	+ 84 057
4. Other bills and cheques	1 574 830	- 72 002	- 579 113
5. Small German coins	63 338	+ 2 803	+ 3 979
6. Notes of other banks	25 888	+ 3 506	+ 25 888
7. Advances covered by pledges	31 556	- 15 549	+ 15 611
8. Securities	110 062	+ 184	+ 32 545
9. Miscellaneous assets	1 629 414	+ 1 865	+ 699 513

L I A B I L I T I E S

1. Capital a) Original Capital	90 000	-	-
b) Increase of capital decided on	210 000	-	-
2. Reserve fund	900	-	-
3. Notes in circulation	1 760 016	- 79 515	+ 363 268
4. Other liabilities payable at sight	929 260	+ 110 550	+ 100 749
5. Loan from the Rentenbank	290 239	- 35 815	- 509 761
6. Miscellaneous liabilities	1 486 278	- 46 954	+ 507 604
Re-discounted bills payable in Germany	574 174	+ 34 300	+ 317 974
"Gold" cover	49.2 %	(1) 45.9 %	(2) 43.9 %
"Gold and foreign exchange" cover	65.6 %	61.2 %	58.6 %

(1) Cover as on 7 February 1925
(2) Cover as on 15 October 1924

During the second week in February, the position of the Bank continued to improve, although the improvement was not so noticeable as during the corresponding week of the previous month.

In the Return of 15 February, the bills and advances covered by pledges show a decrease of 87.5 million RM and now stand at 1606.4 million RM. This decrease is, however, mainly due to a considerable increase in re-discounted bills (34.3 million RM) and to the transfer to the Rentenbank of agricultural bills to the value of 35.8 million RM.

130.2 million RM and Rentenmarks have returned to the Bank during the course of the week. The Reichsmarks in circulation are reduced by 79.5 million RM to 1760 million RM, and the Rentenmarks in circulation by 50.7 million RM to about 1600 million Rentenmarks. The amount of Rentenmarks held by the Bank has risen to 312.5 million Rentenmarks.

The sums deposited with the Bank have increased by 110.6 million RM. This sum includes 45 million RM transferred to the account of the Agent General (miscellaneous liabilities), to which the proceeds of the External Loan are transferred for the account of the Reich.

The "gold" reserve shows a further increase of 21 million RM. The "gold" cover works out at 49.2 per cent (as compared with 45.9 per cent for the preceding week); the "gold and foreign exchange" cover at 65.6 per cent (as compared with 61.2 per cent).

From the French
Translated - BWS.
Checked - RB.

QW. DR.

HB

Doc. N°. 53
Annex to Doc. 40

23 February 1925.

I.I.9.3121

TAXATION RECEIPTS OF THE REICH FOR THE MONTH OF JANUARY 1925.

The Deutscher Reichsanzeiger (N°.39) publishes a Tabular Statement showing the receipts from taxation for the month of January 1925. The figures for the receipts from the principal groups of taxes for the month of January and the preceding months are given below:

	Estimated receipts.		Receipts actually collected.					
	Financial year 1924/25	Average per month	Monthly Average 1st quarters	2nd quarters	3rd quarters	Dec 1924	Jan 1925	1 Apl 1924 to 31 Jan 1925
	in millions of Reichsmarks							
I. Taxes on property and circulation								
a) recurrent	4108.0	342.3	403.9	468.5	509.9	469.1	587.9	4734.8
b) non-recurrent	36.0	3.0	6.8	3.4	11.5	7.8	5.7	71.0
II. Customs and indirect taxes								
c) assigned taxes	1017.0	84.7	85.1	113.7	131.3	146.2	160.1	1150.5
d) other taxes	82.7	6.9	7.8	8.4	11.5	11.5	14.9	98.3
III. Miscellaneous	-	-	1.3	0.4	0.4	0.5	0.3	7.2
Total	5243.7	437.0	504.9	594.8	664.6	635.1	768.8	6061.9

The receipts collected in January are higher than those collected during any of the preceding months since the beginning of the financial year. The amount of the receipts during the first ten months is in excess of the estimates for the whole financial year by 818 million RM.

The following table shows the receipts from the principal direct taxes:

	Estimated receipts.		Receipts actually collected.					
	Financial year 1924/25	Average per month	Monthly average 1st quarters	Monthly average 2nd quarters	Monthly average 3rd quarters	Dec. 1924	Jan. 1925	1 Apr. 1924 to 31 Jan. 1925
	in millions of Reichsmarks							
Income Tax								
a) on salaries	-	-	87.8	109.6	120.3	126.3	126.1	1079.5
b) on income from capital	-	-	0.6	1.0	1.9	1.6	3.6	12.6
c) other sources	-	-	66.4	68.5	77.2	59.3	113.6	749.9
Total	1344.0	112.-	154.8	179.1	199.4	187.2	243.3	1842.0
Corporations Tax	144.0	12.-	23.1	24.8	28.7	27.4	28.9	259.1
Tax on Fortune	376.0	31.3	24.9	34.5	49.9	50.5	34.5	362.5
Turnover Tax								
a) ordinary tax	1260.-	105.-	139.1	148.5	163.6	140.3	201.0	1554.8
b) luxury tax	180.-	15.-	8.9	8.2	11.3	11.1	14.6	99.8
Tax on Bourse transactions	150.-	12.5	10.2	9.9	7.3	3.4	3.7	91.2
Transport Tax	230.-	19.2	20.3	36.6	23.4	22.0	26.2	267.5

The receipts from all these taxes show a big increase. In particular the receipts from the Income and Corporations Taxes reflect the extent of business activity during the month of December (Christmas festival). In addition a provisional payment fell due on 10 January in respect of Income Tax, for the fourth quarter of 1924 (income from landed property, rents, etc).

The following table shows the receipts from the principal direct taxes:

	Estimated receipts.		Receipts actually collected.					
	Financial year 1924/25	Average per month	Monthly average 1st quarters	2nd	3rd	Dec. 1924	Jan. 1925	1 Apr. 1924 to 31 Jan. 1925
	in millions of Reichsmarks							
Income Tax								
a) on salaries	-	-	87.8	109.6	120.3	126.3	126.1	1079.5
b) on income from capital	-	-	0.6	1.0	1.9	1.6	3.6	12.6
c) other sources	-	-	66.4	68.5	77.2	59.3	113.6	749.9
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Turnover Tax								
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An increase may also be observed in connection with the receipts from the indirect assigned taxes:

	Estimated receipts		Receipts actually collected					
	Financial year 1924/25	Average per month	Monthly average 1st quarters	2nd quarters	3rd quarters	Dec. 1924	Jan. 1925	1 Apr. 1924 to 31 Jan. 1925.
			In millions of Reichsmarks					
Customs	160	13.3	21.7	23.8	31.2	36.1	52.1	282.2
Tobacco Tax	360	30.0	35.6	41.4	44.7	49.2	51.0	416.3
Beer "	126	10.5	13.7	20.1	15.0	12.6	16.9	163.3
Sugar "	231	17.6	10.8	19.6	22.7	28.7	19.5	178.8
Alcohol Monopoly	140	11.7	3.2	8.9	17.6	19.6	20.6	109.9

We give below the figures, according to our calculations of the transfers to be effected by the Reich to the States, together with the net share remaining to the Reich.

	Budget estimates		Receipts collected and amounts to be transferred (according to our calculations).					
	Financial year 1924/25	Average per month.	Monthly average 1st quarters	2nd quarters	3rd quarters	Dec. 1924	Jan. 1925	1 Apr. 1924 to 31 Jan. 1925
			In millions of Reichsmarks					
tal of the taxation receipts the Reich	5243.7	437.0	505.9	594.8	664.6	635.1	768.8	6061.9
ansfers to the ates (according to our lculations)	1861.6	155.1	198.7	227.2	248.2	230.0	294.2	2316.6
t receipts the Reich	3382.1	281.9	306.2	367.6	416.4	405.1	474.6	3745.3

According to the figures at the Reichshauptkasse, the addition of the monthly transfers effected by the Reich to the States down to the end of January gives a total of 2117.4 million Reichsmarks. At that date the Reich would therefore appear to be owing the States the sum of (2316.6 - 2117.4) = 199.2 million Reichsmarks.

From the French
Translated - CFH
Checked - RB
Ro.

I.I. 9.35971
36151

DOC. 54.

TRANSFER COMMITTEE

ECONOMIC SERVICE.

BERLIN, February 23,1925

CONTROL OF FOREIGN LOANS CONTRACTED BY THE STATES AND COMMUNES.

On November 1, 1924, the President of the Reich, in virtue of Article 48 of the Constitution which gives him extraordinary powers "if law or order is threatened", issued a Decree making the permission of the Finance Minister of the Reich necessary for any application for foreign credit or loans on the part of the States and Communes. Vigorous protests were made against this interference with the autonomy of the States and Communes. As early as the middle of November, negotiations were begun between the Reich and the States, and towards the end of December an agreement was reached, by which the Decree of November 1, 1924 was to be replaced by Regulations (Richtlinien) drawn up by the Reich and the States together, and communicated by the Reich to the States and by the latter to the Communes. Prussia published these Regulations on February 3 (see enclosed summary). The States and Communes, if they wish to contract a foreign loan, are compelled to ask the opinion of an Advisory Office, which ascertains whether the object and conditions of the loan are in conformity with the Regulations. This Office consists of a Chairman (Ministerialrat Norden, of the Finance Ministry of the Reich)

and of the following members : - Director Dalberg, of the Ministry for Economic Affairs, Dr. Schroeder, President of the Preussische Staatsbank, Dr. Arnold, President of the Bayerische Staatsbank, and Director Dryse, of the Reichsbank.

If the applicant still wishes to contract the loan, in spite of the views of the Advisory Office, a Committee of Appeal, consisting of delegates from all the States, represented in proportion to the number of their votes in the Reichsrat, must be asked to give its opinion before a final decision is reached.

These two opinions are not absolutely binding, since the States and Communes enjoy financial supremacy within their own sphere. Nevertheless, in practice of course it is very improbable that a borrower - and especially a possible lender - would ignore considered opinions against the loan emanating from two separate sources.

This agreement will remain in force until June 30, 1925, with tacit renewal for periods of three months, unless it is denounced by any State.

(signed) L. GAILLET-BILLOTTEAU.

From the French
Translated - BWS.
Checked - NL.
EP.

DOC.54.
ANNEX.

SUMMARY OF THE REGULATIONS ISSUED BY THE PRUSSIAN GOVERNMENT ON FEBRUARY 3, 1925, FOR THE CONTRACTING OF FOREIGN LOANS BY COMMUNES AND COMMUNAL ASSOCIATIONS.

(Berliner Tageblatt No.63 of February 6, 1925).

Communes, Communal Associations and Communal Credit Organisations are required to observe the utmost restraint in the taking up of loans. Expenditure, which at the moment is not absolutely necessary and which it is impossible to cover from the communal budgetary funds must be postponed, however desirable or practical the object in view may be. This applies especially to foreign loans. Communal loans must in every case be contracted exclusively for utilisation by the Commune, and never for transfer to third parties, in particular to private industry. It is emphatically not the duty of the Communes to obtain such loans. The pledging of special assets is likewise prohibited, since the credit of the Commune rests upon the whole of its property and revenue, and especially upon its taxation receipts.

The new Ministerial Decree lays special stress on the fact that the Communes should contract loans through reliable channels only. The thoughtless competition of the last few months on the credit market has done more harm to the Communes than anything else, and has meant at its worst that unreliable and unsuitable agents have endeavoured to exploit the present

credit position for their own ends. The new conditions for the contracting of loans laid down in the Regulations will make it more difficult for agents of this kind to carry on their transactions. As a general rule only well-known banking firms should be employed as intermediaries.

The new Ministerial Decree further stipulates with regard to foreign loans that the term "loan" includes temporary credits as well as loans in the narrower sense of the word. The fact that a loan is contracted for a short period only is in itself not sufficient justification; the only loans to be looked upon as temporary credits are those which are raised temporarily to replace regular income which can be absolutely relied upon, but which has not yet fallen due; and they must be covered by the income in question. Such temporary credits do not require ratification. In so far however as foreign credit is concerned they come under the Decree of the President of the Reich of November 1, 1924, which is still in force. Foreign loans must be used for exclusively productive purposes, that is, for productive investments which, by the immediate production of assets, guarantee from the revenue obtained the service of interest and amortisation on the principal invested.

A further condition for the contracting of foreign loans must be that the expenditure is at the moment absolutely necessary. The actual yield must not exceed a maximum rate to be fixed by the Advisory Office appointed under regulations

of the Reich (a confidential Committee of Experts from the States). It is already stated that as a general rule the nominal interest may not exceed 7 per cent. The maximum yield has still to be made known. Loans must be taken up in the form of long-dated loans, that is, contracted for at least ten years. They may, however, be called by the debtor after five years or earlier.

From the German
Translated - BWS
Checked - RB.
EP.

TRANSFER COMMITTEE

ECONOMIC SERVICE

Document N°. 55.

I.I.9.331.

Berlin, 24 February 1925.

THE MOVEMENT OF FUNDS AT THE REICHSHAUPTKASSE DURING THE MONTH OF JANUARY 1925.

(see Doc. 41)

The Deutscher Reichsanzeiger publishes in its N°. 39 a tabular statement showing the movement of funds at the Reichshauptkasse during the month of January 1925. A copy of this document is annexed hereto.

The situation for January is as follows:

Receipts	778.1 million RM.	
Payments	622.0 "	"
Surplus receipts	156.1 "	"

The total surplus of receipts over payments since the beginning of the financial year amounts to 544.8 million RM.

1. The figure for receipts during the month of January includes:

a) the figures of the January receipts from taxation (see Doc.N°. 53)		768.8 million RM.	
Less receipts from assigned revenues for this month, not yet repaid to the Reichshauptkasse...	-	160.1 "	"
Plus the receipts from assigned revenues for the month of December repaid to the Reichshauptkasse in January.....	+	146.2 "	"
Receipts from taxation		754.9 "	"
b) the figures of the administrative receipts of January		23.2 "	"
Total receipts		778.1 million RM.	

2. The figure for payments is made up as follows:

a)	General administrative expenditure (including expenditure in connection with the execution of the Peace Treaty)	295.8 million RM.
b)	Transfers of tax returns to the States and Communes	199.8 " "
c)	Payments on account of Reparations	126.4 " "
	Total payments.....	622.0 million RM.

From the official document it appears that the payments effected by the Agent General during the period from 21 December 1924 to 20 January 1925 upon the sums advanced by the German Government, amount to 39 million RM.

These payments (which represent a reduction in the expenditure) figure under the following items:

General administrative expenditure of the Reich	-	20.4 million RM.
Payments on account of Reparations	-	18.8 " "
Total:		39.2 million RM.

The table given below shows the monthly amount of receipts and payments at the Reichshauptkasse since the beginning of the financial year.(1)

(signed) M. HEROIN.

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(1) The figures of the receipts from taxation given in the Tabular Statement of the Reichshauptkasse for the ten first months of the financial year show a difference of 73.1 million RM. as compared with the figures of the receipts from taxation indicated in the detailed Tabular Statement of these receipts (see Doc. No. 53).

Total of the receipts from taxation at 31 January (according to the detailed Tabular Statement)....	6 061.9 million RM.	
Less the receipts from the assigned taxes for the month of January, not yet reimbursed to the Reichshauptkasse.....	160.1 " "	
Balance	5 901.8 " "	
Figures for receipts from taxation given in the Tabular Statement of the Reichshauptkasse.....	5 828.7 " "	
Balance	73.1 Million RM	

An explanation of this difference was given in Doc. No. 41
The figures given in the Tabular Statement which follows have been established with due consideration of this remark.

RECEIPTS AND PAYMENTS OF THE REICHSHAUPTKASSE

(in millions of Reichsmarks).

RECEIPTS.

		Receipts from taxation	Administrative Receipts.	Total.
1924	April	523.8	55.7	579.5
	May	518.7	48.0	566.7
	June	472.3	57.4	529.6
	July	583.1	39.1	622.2
	August	592.0	26.2	618.3
	September	609.2	56.4	665.6
	October	686.7	27.6	714.3
	November	541.6	27.3	568.9
	December	619.3	70.8	690.1
1925	January	755.0	23.1	778.1
	Total	5 901.8	431.5	6 333.30

PAYMENTS.

		General Administration.	Repurchase of Gold Loan.	Transfers to States & Communes.	Payments on account of Reparations.	Total.
1924	April (1)	338.6	76	184.0	-	599.5
	May (1)	245.0	121.1	214.2	-	580.2
	June (1)	324.9	26.6	179.6	-	531.1
	July (1)	336.9	5.1	198.4	-	540.4
	August	300.9	0.9	243.2	53.6	598.7
	September	294.1	1.1	190	97.4	582.6
	October	386.4	-	230.8	76.0	693.1
	November	247.2	-	242.7	69.0	558.9
	December	302.1	-	234.0	- 54.2	481.9
1925	January	295.8	-	199.8	126.4	622.0
	Total	3 022.3	230.8	2 117.4	418.00	5 788.5

(1) For the period April to July a lump sum for expenditure amounting to 49.8 million RM. incurred in respect of "Payments on account of Reparations", the exact monthly quantities of which are not known, has been entered under the column of General Administrative Expenditure.

The actual figures for expenditure have been added together in the totals of each column.

As a result the individual figures given in the column for General Administrative Expenditure show a difference of + 49.8 millions as compared with the total given, and the addition of the monthly expenditure under "Payments on account of Reparations" a difference of - 49.8 million RM. as compared with the total given for this item of expenditure.

SURPLUS (+) or DEFICIT (-)

1924	April	....	- 20
	May	....	- 13.5
	June	....	- 1.5
	July	....	+ 81.8
	August	....	+ 19.6
	September	...	+ 83
	October	....	+ 21.2
	November	....	+ 10
	December	....	+ 208.1
1925	January	....	+ 156.1
		Total	+ 544.8

MOVEMENT OF FUNDS AT THE REICHSHAUPTKASSE

JANUARY 1925.

(Reichsanzeiger 16 February 1925)

	January 1925	April 1924 to January 1925.
I. Receipts.	RM.	RM.
a) General Finance Administration (Taxes, Customs duties, dues) without the assigned revenues from Customs duties and taxes for January 1925	754 971 803	5 828 701 133
b) Other receipts	23 151 236	431 503 543
Total receipts:	778 123 039	6 260 204 676
II. Payments.		
a) General Administration of the Reich including expenses in connection with the execution of the Peace Treaty	295 770 908	3 179 980 455
b) Transfers to the States and Communes from the proceeds from taxation	199 865 467	2 117 435 207
c) Payments on account of Reparations	126 409 331	418 000 557
Total payments:	622 045 706	5 715 416 219
Leaving an excess of receipts over payments of :	156 077 333	544 788 457

III. Position of the Floating Debt at 31 January 1925.

	RM.
1. Liabilities on account of Treasury Bonds	18 631 200.--
2. Security for Treasury Bonds	104 801 837.21
3. Issue of Treasury Bonds in Rentenmarks	55 000 000.--
Total:	178 433 037.21

Remarks.

I. The total revenue received from taxes and Customs duties amounted in January to ..... 768.8 million RM.
Of this total the assigned revenues have not been transferred to the Reichshauptkasse during the month of January 1925, approx. ... 160.1 " "

There remains therefore 608.7 " "
To this must be added the amounts reimbursed by the Commissioner for Controlled Revenues in January 1925, on account of the month of December 1924 .....approx. 146.2 " "

The receipts therefore amount to approximately 754.9 " "

II. In the statement for January account has been taken of the sums reimbursed by the Agent General for Reparation Payments during the period from 21 December 1924 to 20 January 1925, amounting approximately to 39.2 million RM. which have been paid by the Reich during this period by way of advances to be credited against the first annuity. Of this amount, approximately 20.4 millions have been deducted from the expenditure for the General Administration of the Reich, and approximately 18.8 millions from the Payments on account of Reparations.

III. The month of January comprises 26 working days. The daily average of receipts therefore amounts to roughly 29.0, that of the payments roughly to 23.9 million RM. The total surplus of receipts over payments for January 1925 amounts to 156 million RM. It must be remembered that the payments effected by the Agent General on account of Reparations, amounting to 39.2 million RM. are included in this sum.

From the French
Translated - CFH.
Checked - RB.

Doc. 56

I.I. 9.31471 25 February 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

OBSERVATIONS ON

THE RUHR COMPENSATION.

The appended Note gives a detailed analysis of the Memorandum of the German Government on the Ruhr compensation payments.

I. Nevertheless, these compensation payments and the Memorandum itself have given rise to such violent controversy that it is desirable to indicate shortly the facts, omissions and obscurities which are criticised, mostly by the parties of the Left who are opposed to the present Government.

We shall not discuss the question of the legal right of the Government to exceed the Budget estimates, on which opinion is almost unanimous. The Government acknowledges that the sums used were not regularly voted, and asks the Reichstag to pass an "Indemnification Bill". It merely urges the existence of a moral obligation, arising out of the undertakings given in 1923, and of force majeure due to the fact that Parliament was not sitting; it further argues that an immediate settlement was necessary in the interests alike of the applicants for compensation and of the Reich.

II. Apart from this question of legality, the following points are criticised:-

a) the haste and mystery with which the operation was carried out;

b) the principle of compensation payments, in the majority of cases at least;

c) the amount of the payments and the system of distribution (1).

III. It was not until most of the payments were already effected at the end of January that Parliament was informed of the state of affairs. On 28 January 1925 the Minister of Finance, in his statement on the 1925 Budget to the Budget Committee, merely indicated that the surplus for the first nine months of the financial year (to the amount of 940 millions) was absorbed by various indispensable payments, and that among other items "fairly considerable sums" had been paid for Ruhr compensation. On the following day, in reply to a question by the Social-Democrats, Secretary of State Fischer indicated with some reluctance that the payments already made, or still to be effected, amounted to 715 millions, of which 645 were for the industrialists and the shipping concerns; he announced at the same time that a detailed Memorandum would be published; after being several times delayed, this document appeared on 16 February 1925.

It would appear that, apart from the parties concerned, no member of Parliament or of the general public was informed of the settlement until 28 January 1925. Indeed, from the outset the amount and utilisation of the funds for the support of the "Ruhr struggle" were wrapped in obscurity. This secrecy, which was understandable in so far as it prevented the Occupying Powers from knowing the means employed to combat their action, has been less justifiable since the cessation of passive resistance and

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(1) It should at once be noted that objections are only raised against the compensation paid to the great mining, metallurgical and chemical industries, which represents 630 millions out of the 706 provided. No fault is found with the other compensation payments, in particular those which are regulated by the "special procedure"; on the contrary, it is pointed out that in such cases the settlement accorded is slower and less generous (in general only 75 per cent of the loss suffered).

especially since the London Conference. It is true that the enormous depreciation of the mark during the period when payments were effected made it difficult definitely to estimate the real value of the sums expended (1).

IV. Ignorance as to the real state of affairs made it possible to hope that the balance sheet for passive resistance, which had been financed as and when the events occurred, was closed, and that the payments now made would refer only to the following period, that of the Micum agreements, when the stabilisation of the mark and the financial position had compelled the Reich to stop all payments. This impression was upheld by the declarations of the Government, which mentioned only compensation payments on account of the Micum agreements. It was soon discovered - and the fact is confirmed by the Memorandum - that a considerable part of the compensation refers to the first period. In view of the secret nature of the payments for that period, it has been suggested that the parties concerned are receiving in gold marks what they have already been paid in paper marks.

In the case of the second period (23 November - 1 September 1924), as a general rule deliveries made or losses suffered have been repaid in full, and it is more against the generosity of the Reich than against the principle of compensation that objections are here made.

V. What are the facts in support of the criticisms made:

For the period of passive resistance:-

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(1) The extraordinary discrepancies between the estimates made, which vary between 1 milliard and 13 milliard gold marks, are due to the secrecy observed and to variations in the value of the mark. The most plausible figure (if only payments made directly by the Reich are taken into account) is approximately 1.5 milliards for the period of passive resistance.

a) At the beginning of the Occupation, the factories and mines continued to produce and stocks were constituted, with the help of credits granted by the Reich, which have been deducted to the amount of 85 millions from the compensation recently paid. From the month of April onwards, the Occupying Powers began to seize these stocks, and production was stopped; on instructions from the Government, however (Agreement of 5 June 1923), the workmen were employed on supplementary work (in the mines, general improvements, the opening up of new galleries and the construction of dwelling houses for miners; in the factories, the development of plant, and the construction of new buildings), and 2/3 of their wages was paid by the Reich from the funds of the Ministry of Labour (Lohnsicherung). Work of this kind increased the value of the undertakings and the capital value of their plant, although no corresponding deduction was made from the compensation paid.

b) Apart from stable value credits, which are considered in the Memorandum, the industrialists drew very largely on the credit of the Reichsbank. The sums thus obtained in paper marks (the Reichsbank did not open stable value credits until August), which were used for the production of goods, improvements and additions to premises, plant, etc., or even for the purchase of foreign currency, were repaid in extremely depreciated currency. This was a very great source of profit which offsets pro tanto the apparent losses, although no allowance was made for it in the calculation of compensation.

c) Not only did the industrialists benefit in every way open to debtors during a period of intense and continuous currency depreciation, but the compensation settlement, which estimates their claims in gold marks, now frees them from the corresponding losses to which creditors were liable. In 1923 they made all the profits obtained by debtors, and in 1924

they recovered all the losses normally suffered by creditors. In particular, an allowance for depreciation was made in the calculation of paper mark prices; the equivalent in gold marks now granted, on a basis of these prices, for goods seized, represents a sum greater than that which would have been realised by a sale in 1923.

d) Finally, by the issue of Notgeld, which was repaid at an almost worthless rate owing to the depreciation of the mark, further considerable sums were gained.

Each of these factors represents a profit which cannot be exactly estimated, for the reasons given above, but which nevertheless would have justified a considerable reduction, if not the cancellation, of the compensation payments for the first period.

VI. As far as the second period (Micum Agreements) is concerned, the Government had promised repayment in full for the deliveries made, but "after the finances of the country had been set in order and to the extent to which the charge had not been passed on to the consumer" (letters of the Chancellor dated 1 and 3 November, pages 42 and 43 of the Memorandum).

1) With regard to the finances of the Reich, the Memorandum points out that the returns from taxation and the repayment of the first monthly instalments advanced on reparation account by Germany had made the financial position exceptionally favourable in December 1924, and, further, that it would be advisable immediately to free succeeding financial years, since the charges arising out of the Dawes Plan would then begin to be felt.

In reply to the objection that the funds available at the Treasury could and should have been used for more sorely tried and more important creditors (Germans who lost their property abroad, holders of Government stock, etc.), the Memorandum

points out that, in the case of the Ruhr, it is not a question of property formerly existing and now lost, but of products supplied by industry, the cost of production of which must be refunded, as otherwise the whole of the industrial machinery would be stopped.

2) As for the second condition, the Government maintains that the price of coal sold within Germany in particular has not enabled industrialists to recover the charges arising out of the obligations imposed upon them; this view is supported by the Prussian Ministry of Commerce (Appendix 21), which estimates the losses for the State mines from November to 1 August at approximately 8 marks per ton.

This is one of the most disputed points of the official view. It is recalled that the mine-owners imposed heavy sacrifices on the nation in general, which they justified by the charges borne by themselves.

1) The miners were forced to prolong their working day from 7 to 8 hours in the mines and from 8 to 10 hours on the surface; wages were reduced and numbers of workmen dismissed, in order to counterbalance the decreased output during the period of recovery.

2) Prices, which the producers were allowed freely to fix, were raised and were not reduced until towards the end of the period in question (through and through: 20.60 marks until 1 July; until 1 October, 16.50 marks; since that date, 15 marks); in order to justify the sacrifices required of consumers, it was then argued that they must share in the obligations imposed on the Ruhr.

3) Not only does the Government refuse to admit that the decrease in the cost of production and the increase in sale prices justifies a reduction in the compensation payments; it

further increases that compensation by additional expenses, such as, in the case of the coal mines alone:

interest	26.7 millions
discount on Treasury Bonds ...	16. "

Thus, on the one hand, all factors by which the compensation payments might be reduced are omitted from the calculation, and, on the other hand, all expenses incurred in connection with the settlement by persons receiving compensation are taken into account.

VII. These are the principal points criticised. Definite figures are not and cannot be given, nor is it possible to fix the sum by which the amount paid might have been reduced. Further, the points which are open to criticism, have been seized upon by the parties of the Opposition, who are glad to be able to reply to the scandals (credit transactions, Barmat, etc.) laid to their charge by protesting against what they call the "Ruhr Scandal". They are, however, sufficiently numerous and sufficiently strong to make it clear that the Government has been extremely generous in the treatment accorded. The mystery surrounding the settlement and the care with which Parliament was faced by an accomplished fact indicate that the Government desired to avoid interference by public opinion. We know, moreover, that important Government officials acknowledge that the calculations were undoubtedly "very generous". It may indeed be admitted that the extremely favourable position of the Treasury made it impossible for the Government rigorously to cut down the lists of expenses submitted to it by circles whose economic activity is essential for production and whose political support is indispensable for the parties in power. Moreover, the Reich is particularly anxious not to close the financial year with surpluses which would enable unduly favourable conclusions to be drawn with regard to the financial

position of the Reich. In his statement of 28 January 1925, the Finance Minister made special efforts to refute the opinion that the Reich was "swimming in gold".

VIII. In conclusion, a few words should be said on the influence which these compensation payments have probably had:-

a) on the capital market;

b) on the position of the undertakings concerned.

a) We know that in December and January the Reich paid in cash about 112 millions, took over a credit of 110 millions owed to the Reichsbank, and has still about 55 millions to pay. This simply meant a transfer of available funds, which were already in use in the Banks, from the credit of the Reich to the credit of persons receiving compensation. In the case of cash payments, short dated credits used for the benefit of industry as a whole were transferred to the account of certain industrial groups; as the credit requirements of the same groups decreased correspondingly, the effects on national economy have not been very serious.

b) As for the position of the undertakings receiving compensation, it is to be supposed that this reduction of their credit liabilities, which they could not have hoped for in such a complete or rapid form, has helped to reconstitute their working capital and has given Rhenish-Westphalian industrialists a considerable advantage over the industries to which no compensation has been paid. In this connection it must be remembered that at the same time American loans totalling almost 30 million dollars were contracted by three of the most important Konzerne of the district in which compensation was paid (Krupp, Thyssen and Haniel) (1).

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(1) On the other hand, allowance must be made, among other things, for banking credits to the amount of 8.5 million dollars granted to the Rhenish-Westphalian Syndicate during the autumn.

IX. On 20 February 1925 the Reichstag decided, after a lively debate, to appoint a Committee of Enquiry which will have to investigate all the questions raised by the payment of compensation.

(Signed) L. GAILLET-BILLOTTEAU.

From the French
Translated - BWS
Checked - RB.
QW. DR.

ANNEX.

THE MEMORANDUM OF THE GERMAN GOVERNMENT ON THE COMPENSATION TO THE RUHR INDUSTRIALISTS.

The Memorandum on the Ruhr compensation was laid before the Reichstag on 17 February 1925. The following is a summarised version of the analysis of the Memorandum published by the Frankfurter Zeitung.

INTRODUCTION.

This part gives the history of the question from the beginning of passive resistance until final settlement. It is divided as follows:-

A. Forced reparation deliveries during the Ruhr struggle.

B. Forced deliveries in virtue of the Micum agreements.

C. Damage to the mines under the Régie.

D. Damage due to the "special procedure".

The deliveries and losses of the States and Communes, and losses suffered by private persons, are not given.

A. Forced reparation deliveries during the passive resistance.

A Decree of 23 April 1923 issued by the Minister of Reconstruction, without granting rights to persons who had suffered loss, allowed advances to be made to them on the amount of their declarations of loss (80 per cent).

By contracts with the Reich, the heavy industry of the Ruhr obtained stable value credits and advances for its requirements. The following details are given:-

	Credits received in paper marks	Value in gold marks
a) Coal mines	16 000 milliards	44.79 millions
b) Lignite	156 "	0.550 "
c) Metallurgical industry	560 "	25.6 "

These credits were repaid by the industries concerned, or deducted by the Reich, when the "E"Bonds used for the payment of Micum deliveries were subsequently handed over.

B. Forced Reparation deliveries. The Micum agreements.

The industrialists are provisionally responsible for the financing of the Micum deliveries.

The Memorandum gives the text of the correspondence between the then Chancellor Dr. Stresemann and Stinnes, who represented the Ruhr industrialists. This correspondence shows that:

a) The Reich was prepared to repay to the mines

(1). 15 million dollars in respect of Coal Tax arrears;

(2). the value of future coal deliveries;

(3). the value of the tax of 10 francs per ton on coal sold otherwise.

b) The payments were to be made as soon as the finances of the Reich should again be on a sound basis.

c) Pending other arrangements, the mines were authorised to charge the value of their deliveries to the sums owed by them in respect of the Company Tax (Gesellschaftsteuer), the Tax on Fortunes (Vermögensteuer) and the Turnover Tax (Umsatzsteuer).

C. Damage caused by the working of the mines under the Régie.

Settlement for this damage was promised on 1 August 1924. Compensation for damage caused to Rhine shipping was promised by the Cabinet decisions of 27 March 1924 and 8 April 1924.

D. Damage due to the "special procedure". (The principle of indemnification was established by a Law of 14 July 1923).

The reimbursement of damage of this kind (seizure, etc.) is regulated by the Decrees of 16 March 1923 and 10 December 1924.

EFFECT OF THE REPARATION CHARGES ON PRIVATE ENTERPRISE IN THE RUHR & RHINELAND TERRITORIES & NECESSITY FOR RAPID REIMBURSEMENT.

In June 1924 the credit facilities of the Ruhr industrialists were exhausted. On 17 July the Government decided to assist the industries concerned. 143 million Rentenmarks, in the form of "E" Treasury Bonds, were handed over to the Ruhrkohle A.G., which was responsible for their distribution. These Bonds were not to be sold on the market, but could be discounted as required at the Reichskredit A.G; Some of the Bonds were used as cover for foreign credits. Simultaneously with the delivery of the Bonds, the industries were requested to pay the taxes due to the Reich, the States and the Communes.

The Reich had promised compensation for losses, as soon as order was restored in the public finances. As the advances made by the Reich on reparation account were refunded by the Agent General last November, the Reich considered the moment a favourable one for the fulfilment of its engagements.

GENERAL PRINCIPLES ON WHICH REIMBURSEMENT IS BASED.

The Memorandum gives the method used for the valuation of losses, by which a saving of 200 million RM is said to have been effected. Various sums have been set off one against the other. The amounts were paid:

a) part in cash,

b) part in Treasury Bonds,

c) part by taking over special debts.

(A credit of 110 million R.M; granted by the Reichsbank to the Ruhrkohle was taken over by the Reich).

The Memorandum then explains how the expenditure has been charged against the credits voted to the Government in the Budget.

a) The expenditure incurred during the passive resistance is shown in the Extraordinary Budget (under the Estimates for the General Finance Administration and on the Vote for the Ruhr Fund).

b) In the case of the forced deliveries the funds provided in the budget were found to be insufficient. The Finance Minister was faced by a case of "absolute necessity" and made use of the powers granted to him by existing legislation with regard to expenditure in excess of credits granted. The same reasons were alleged to justify the payments made at the end of 1924, the settlement in this particular case being on terms which were advantageous for the Reich.

c) The credits required for the compensation for losses due to the "special procedure" are said to have been voted in the draft Budget of the Reich for 1924-25 (Peace Treaty votes); a credit of 40 millions for the "miscellaneous expenditure" (Vermischte Ausgaben) does indeed appear in that Budget.

In submitting this Memorandum, the Government at the same time asks for the regulation of the sums expended in excess of credits voted. (bill of indemnity).

METHOD OF REIMBURSEMENT.

A table in the Memorandum, reproduced below, gives the total amount of a) the compensation for which the Reich has accepted liability under the terms of special agreements and b) & c) of sums paid prior to the compensation payments and d) of the balance still owed by the Reich.

Groups of Industries	Total Compensation	Sums paid before the compensation payments.		Balance still owing.
	A)	b)	c)	d)
	(in millions of gold marks)			
Ruhrkohle A.G. (mines, coal trade, etc.)	556.0	227.0	143.0	186.0
Rhenish Lignite Syndicate	10.6	3.9	5.0	1.7
Aix (Aachen) mines	9.8	-	4.3	5.5
Lignite Mines worked by the Government	4.5	2.0	-	2.5
Chemical industry	50.0	20.0	15.0	15.0
Shipping (estimated)	20.5	9.2	-	11.3
Economic Commission for the Occupied Territories (estimated)	15 15	- -	- -	- -
The "Special Procedure"	25	-	-	-
Total	706.4	262.1	167.3	222.0

b) in cash or charged against sums owed in taxation.
c) in "E" Treasury Bonds.

In all the Reich has acknowledged liability for 706 million RM (1); 262.1 million G.M. representing the advances in cash received by claimants, or the taxes which they owed. and 167.3 million G.M. representing the value of the "E" Bonds handed over to the parties concerned, went to cancel this indebtedness as it fell due, leaving in December last a balance outstanding of 222 million gold marks.

These 222 million G.M. were paid as follows during December

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(1) The horizontal addition of the three columns on the right shows a difference of 55 million G.M. as compared with the total. No sum appears in the other colums to counterbalance the sums entered as the three last items of column one, so that the Reich would appear to owe 55 million gold marks in addition to the sums already paid.

and January last:-

Paid in cash by the Reich	112 million G.M.
Debt to the Reichsbank, contracted by the Ruhrkohle A.G., taken over by the Reich	110 million G.M.

According to the Memorandum, the total charge for the financial year 1924/5 amounts to 581 million G.M. In addition, some of the "E" Bonds fall due during the coming financial years.

The Memorandum gives the following information with regard to the figures of the above Table and with regard to the agreements concluded:-

a) Agreement with the Ruhrkohle A.G.

This agreement of 31 December 1923 fixed at 186 millions the sum still to be paid to the company, which is responsible for its distribution among the claimants: 76 millions were paid in cash during January last, 110 millions by the taking over by the Reich of the debt of the Ruhrkohle A.G. to the Reichsbank.

The figure of 186 millions represents the balance of the following table; the figures in brackets indicate the sums which would have been required if the compensation had been paid at its full value.

Account of compensation (Losses) (in millions of gold marks)

A. Deliveries to the Micum		
1. Deliveries of coal	269.2	(283)
2. " " by-products	6.8	(6.8)
3. Tax on coal, current	41.4	(43.0)
4. Arrears of the coal tax	47.9	(52.0)
B. Seizures for Reparations (balance)		
1. Seizures subject to repayment in conformity with the Treaty on the financing of coal	63.8	(100.7)
2. Other seizures of coal	5.1	(13.0))
Loss of stocks	1.1	(2.0))
3. Coal selling companies	4.0	(10.3)
4. By-Products	12.2	(20.9)
5. Timber for mines	0.4	(1.0)
6. Iron and Material	25.0	(50.0)
C. Miscellaneous compensation. (Losses)		
1. Customs and taxes	-	(10.0)
2. Seizure of salaries and wages) special		
3. Loss caused by occupation) procedure	6.5	(8.7)
4. Interest	26.7	(74.0)
5. Compensation to the Mines under the Régie	30.0	(35.0)
6. Losses in connection with discounting the E. Treasury Bonds	16.0	(18.0)
Total :	556.0	(727.7)

Already paid:

In June 1924	12.0	
July 1924	36	
August (E Bonds)	143.	
September (cash)	21	
October	21	
November	50	
December	35	
Taxes in arrears (deducted)	52	
Total:	370	(370)
There remains to be paid :	186.0	(357.7)

b) Other agreements.

The Memorandum states that agreements similar to that concluded with the Ruhrkohle were concluded with the Rhenish Lignite Syndicate, the mines of the Aix (Aachen) coal field, the lignite mines worked by the Government and the chemical industry.

The figures for these amounts of compensation appear in the Table.

c) Agreements with the Economic Commission of the Occupied Territories.

The Economic Commission was charged with the task of putting forward the demands for compensation of the minor firms.

The Memorandum estimates the amount of the compensation under this head (three last items of the General Table) at

a) Deliveries to the Micum (on Reparation account)	15	million G.M.
b) Forced Reparations	15	" "
c) Damages through "special procedure"	25	" "

These estimates are for sums still remaining to be paid. The Memorandum states that 17 millions have already been paid on account of damages under a) and b) and 48 millions on account of damages under c). In the case of the last named the sums were paid before 10 December 1924. These sums do not appear in the General Table. To the figure of 706.4 millions given in the memorandum, should be added the credits accorded in 1923 (see page 1) amounting to 85.5 millions and 65 millions already paid to the Economic Committee - A total of 856.9 millions is thus arrived at -

To sum up:,

I. The total amount of compensation, for which the Reich has assumed liability, is 706 million gold marks.

a) Of this total, 429 millions had already been paid to claimants before December last (either in cash or by deduction

from taxes due to the Reich or in the form of "E" Treasury Bonds).

b) The Reich made payments in December and January of 222 million gold marks (112 millions in cash and 110 millions by cancellation of the debt of the Ruhrkohle to the Reichsbank).

c) There further remain some 55 millions still to be paid.

From the French
Translated BWS - CFH - RB.
Checked - RB.
GS.

I.I. 9.4112. Doc. 57

Berlin, 27 February 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

REDUCTION IN THE DISCOUNT RATE OF THE REICHSBANK.

On 26 February 1925 the Reichsbank reduced its discount rate from 10 to 9 per cent; at the same time it reduced from 12 to 11 per cent the rate for advances against security.

Dr. Schacht speaking to the Central Committee of the Reichsbank supplied explanations in regard to this step, of which the following is the gist:

The position of the Bank has considerably improved during the last few months. The amount for drafts and advances against security, which was RM 2 373 millions at the end of October 1924, fell to RM 2 081 millions at the end of December 1924 and to RM 1 600 millions in round figures as at 15 February 1925. This improvement in the portfolio (bills) is due to the influx of foreign capital, to the remitting of agricultural bills to the Rentenbank and lastly, to a general rally which is reflected by the fact that recently the credits allowed to the banks have only in very few cases been fully used up.

The fiduciary circulation (Reichsbank notes, notes of private banks, Rentenbank notes and metal currencies) which amounted to RM 4 274 millions at the end of December 1924, fell to about RM 3 800 millions as at 23 February 1925. The position of the Reichsbank therefore admits of a reduction in the discount rate.

Since, on the other hand the Reichsbank's attempts to re-organise a private discount market have been successful and the idea of centralising public funds at the Reichsbank has been favourably received by several of the organisations concerned, the Managing Board of the Reichsbank has decided to reduce its discount rate from 10 to 9 per cent, without however waiving its right to restrict its credits.

When lowering its discount rate, the Reichsbank at the same time reduced from 10 to 5 the minimum number of days for which it retains interest on the purchase of bills of exchange bought. This applies however only to bills of a nominal value of over RM 5 000.

From the French
Translated - JMP
Checked - CFH

QW.

TRANSFER COMMITTEE

Economic Service

Doc. No. 58

I.I.9.4111. Berlin. 28th Feb.1925.

THE RETURNS OF THE REICHSBANK AS ON 23 February 1925.

(see Doc.52)

The following is the comparison between the balance of the Reichsbank as on 23. Feb. 1925 and the balance for the preceding week, and the first balance published under the law of 30 August 1924.

	In 1 000 M.	Difference as compared with return of 15 Feb. 1925. In 1000 Marks	Difference as compared with return of 15 Oct. 1924. In 1 000 Marks.
A S S E T S			
1. Unissued shares of the Reichsbank	177 212	-	- 32 788
2. Gold reserve (bullion and bars)	879 955	+ 14 160	+ 266 330
Reserve	678 522	+ 11 380	+ 237 040
On deposit abroad	201 433	+ 2 780	+ 29 290
3. Currencies available as cover	293 318	+ 4 720	+ 88 777
4. Other bills and cheques	1 485 322	- 89 508	- 668 621
5. Small German coins	65 434	+ 2 096	+ 6 075
6. Notes of other banks	30 457	+ 4 569	+ 30 457
7. Advances covered by pledges	15 857	- 15 699	- 88
8. Securities	110 167	+ 105	+ 32 650
9. Miscellaneous assets	1 688 953	+ 59 539	+ 759 052
L I A B I L I T I E S			
1. Capital a) Original capital	90 000	-	-
b) Increase of capital decided on	210 000	-	-
2. Reserve fund	900	-	-
3. Notes in circulation	1 682 800	- 77 216	+ 286 052
4. Other liabilities payable at sight	1 021 643	+ 92 383	+ 193 132
5. Loan from the Rentenbank	266 637	- 23 602	- 533 363
6. Miscellaneous liabilities	1 474 695	- 11 583	+ 496 021

....

Re-discounted bills payable in Germany	610 624	+ 36 450	+ 354 424
"Gold" cover	52.3 %	(1) 49.2 %	(2) 43.9 %
"Gold and foreign exchange" cover	69.7 %	65.6 %	58.6 %

The Reichsbank considerably improved its position during the third week of February.

In the return of 23 February 1925, bills and advances against security amount to RM 1 501.2 millions which means a reduction of RM 105.2 millions. Rediscounts having increased by RM 36.4 millions, and the Bank having remitted to the Rentenbank RM. 23.6 millions in agricultural bills, the total credits redeemed by private interests amount to RM 45.2 millions.

RM 135.1 millions in Reichsmark and Rentenmark notes found their way to the Reichsbank during the week under consideration. The Reichsmark circulation having fallen by RM 77.2 millions amounts to RM 1 682.8 millions, and the Rentenmark circulation having fallen by RM 57.9 millions amounts to RM 1 596.5 millions. The amount in Rentenmarks held by the Bank has increased from RM 312.5 to 370.4 millions.

Deposits, which amount to RM 1 021.6 millions, have increased by RM 92.4 millions.

The gold reserve has increased by RM 14.2 millions. The gold cover amounts to 52.3 per cent (as against 49.2 per cent for the preceding week) and the "gold and foreign-exchange cover" to 69.7 per cent (65.6 per cent).

(1) Cover as on 15 February 1925.
(2) Cover as on 15 October 1924.

MLG.

DOC. 59

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, 28 February 1925.

THE DRAFT BUDGET OF THE REICH FOR 1925-26.

The Budget estimates for the financial year 1925-26, as submitted to the Reichstag, may be compared as follows with those for the preceding financial year:

	Estimates 1925-26	Estimates 1924-25
	Millions of Reichsmarks	
I. Ordinary Budget (Votes for the General Administration).		
a. Income	5 368	5 358
b. Expenditure	5 196.1	5 077.1
Surplus (+) or deficit (-)	+ 171.9	+ 280.9
II. Extraordinary Budget (Votes for the General Administration).		
a. Income	0.1	152.6
b. Expenditure	146.4	316.6
Surplus (+) or deficit (-)	- 146.3	- 164
III. Total income and expenditure of the General Administration		
a. Income	5 368.1	5 510.6
b. Expenditure	5 342.5	5 393.7
Surplus (+) or deficit (-)	+ 25.6	+ 116.9

	Estimates 1925-26	1924-25
	Millions of Reichsmarks	
IV. Votes for War Charges		
a. Ordinary Budget: Income	0.5	
Expenditure.	162.3	308.6
Surplus (+) or deficit (-)	- 161.8	- 308.6
b. Extraordinary Budget:		
Income	1 096.9	568.1
Expenditure.	1 238.1	724.5
Surplus (+) or deficit (-)	- 141.2	- 156.4
Total Budget surplus (+) or deficit (-)	- 277.4	- 348.1

The following is a rapid survey of the principal features of this Budget:

I. Ordinary Budget (Votes for the General Administration).

As the Ordinary Budget is intended to cover expenditure of a recurrent nature, it must necessarily draw its supplies from permanent sources of income:

a. Income.

Nearly 95 per cent of the income of the Ordinary Budget for 1925-26 has to be derived from taxation, the balance being made up of the proceeds of the sale of Reichsbahn Preference Shares (RM 145.8 millions) and administrative income (128 millions).

The estimates for income from taxation for the financial

year under consideration are the same as those for the preceding financial year, except as regards the Bourse Tax, which for 1924-25 was estimated at 4 millions and which ceased to be levied as from 1 January 1925. The following is a comparison of the estimates with the actual receipts collected during the first ten months of the financial year 1924-25:

	Estimates for 1924-25 and 1925-26	Receipts for the first ten months of 1924-25
	Millions of RM	
I. Taxes on property, traffic trade and transfer (Besitz- und Verkehrsteuern).		
a. Recurrent taxes.		
1. Income tax (Einkommensteuer)	1 344	1 842
2. Corporation Tax (Körperschaftsteuer)	144	259
3. Tax on Fortunes (Vermögensteuer)	376	362.5
4. Death Duties (Erbschaftsteuer)	30	19.9
5. Turnover Tax (Umsatzsteuer)		
a. Ordinary Tax	1 260	1 554.8
b. Luxury Tax	180	99.8
6. Tax on conveyance of land (Grunderwerbsteuer)	150	22.5
7. Tax on the circulation of capital (Kapitalverkehrsteuer)		
a. Tax on Companies (Gesellschaftsteuer)	34	30.2
b. Tax on Securities (Werte)	6	3.9
c. Tax on Bourse transactions (Börsenumsatzsteuer)	150	91.2
d. Tax on Directors' dividends *	8	8.9
8. Tax on the frequenting of the Bourse (Börsenbesuchsteuer)		2.9
9. Tax on Automobiles (Kraftfahrzeugsteuer)	50	44.7
10. Tax on Insurance transactions (Versicherungssteuer)	32	24.7
11. Tax on Betting and Lotteries (Rennwett und Lotteriesteuer)		
a. Tax on Betting (Rennwettsteuer)	40	28.4
b. Tax on Lotteries (Lotteriesteuer)	5	16.4

* Lapsed as from 1 January 1925

	Estimates for 1924-25 and 1925-26	Receipts for the first ten months of 1924-25
	Millions of RM	
12. Tax on Bills of Exchange (Wechselsteuer)	65	55.5
13. Transport Tax (Beförderungssteuer)		
a. Passengers 110*		136.5
b. Goods 120	84.2	131
Total (a)	3 958.2	4 734.8
b. Non-recurrent taxes.		
1. Tax on Bonds and Debentures (Obligationensteuer)	36	40.4
2. Tax on the Rhine and the Ruhr	-	45.9
3. Tax on undertakings	-	- 15.2
Total (b)	36	71
TOTAL I.	3 994.2	4 805.8
II. Customs and Excise Duties (Zölle und Verbrauchssteuern)		
a. Assigned.		
1. Customs (Zölle)	160	282.2
2. Tobacco Tax (Tabaksteuer)	360	416.3
3. Sugar Tax (Zuckersteuer)	231	178.8
4. Beer Tax (Biersteuer)	126	163.3
5. Spirit Monopoly (Branntweinmonopol)	140	110
Total (a)	1 017	1 150.5
b. Other Excise Duties		
6. Tax on Acetic Acid (Essigsauersteuer)	1.4	1.8
7. Wine Tax (Weinsteuer)	48	75.5
8. Salt Tax (Salzsteuer)	9.1	4.3

* Of which 145.8 were paid into the funds of the Agent General

	Estimates for 1924-25 and 1925-26	Receipts for the first ten months of 1924-25
	Millions of RM	
9. Tax on Matches (Zundwarensteuer)	12.6	7.7
10. Tax on Lighting Materials (Beleuchtungsmittelsteuer)	8	5.6
11. Tax on Playing Cards (Spielkartensteuer)	0.9	1
12. Statistical dues (Statistische Gebühren)	1	1.4
13. Saccharine Monopoly	1.7	1
Total (b)	82.7	98.3
Total II	1 099.7	1 428.8
III. Miscellaneous		
Total III		7.2
GRAND TOTAL	5 093.9	6 061.9

b) Expenditure

The Ordinary Budget provides for a total expenditure of 5 196.1 millions as against 5 077.1 for the preceding financial year. The increased expenditure for the next financial year is largely due to the increases in salaries and wages, particularly in respect of the Finance Ministry and the Ministry for the Army and Navy.

In the expenditure of the Ordinary Budget, the transfers to the States from taxes should be considered separately. For the financial year 1925-26 RM 1 857.6 millions are provided for in this connection, as against 1 861.6 millions for 1924-25.

Otherwise, the principal votes are assigned as follows:

	1925-26	1924-25	Difference
	Millions of Reichsmarks		
Foreign Affairs	40.2	35.5	+ 4.7
Interior	117.0	204.3	- 87.3
Labour	318.4	469.5	- 151.1
Army & Navy	460.2	399.0	+ 61.2
Transport	78.9	77.3	+ 1.6
Pensions	1 202.2	894.3	+ 307.9
Public Debt	134.8	158.8	- 24.0
Ministry of Finances	378.7	331.1	+ 47.6
General Finance Administration	389.5	360.9	+ 28.6
Miscellaneous	33.9	28.2	+ 5.7
Total	3 153.8	2 958.9	+ 194.9

II. Extraordinary Budget. Votes for the General Administration.

The extraordinary Budget draws its supplies from loans and other extraordinary income such as the proceeds from the sale of installations, land and buildings duly acquired through loans. The expenditure which it has to cover is also generally connected with these sources of income.

a) Income.

The estimated income amounts for the financial year 1925-26 to RM 0.1 millions, as against 152.6 millions for the preceding financial year. The difference between these two

figures is due to the fact that for the financial year under consideration certain sources of income such as the redemption of loans, the proceeds from minting currencies, and the contributions of the Monopolies to the Service of the Interest on the Debt are no longer entered under this heading.

b) Expenditure

The total expenditure for this heading is estimated at RM 146.4 millions, as against 316.6 for the preceding financial year.

The principal items are as follows:

	1925-26	1924-25
a) Army and Navy	20.6	0.9
b) Roads and transport	66.3	59.5
c) Liquidation of war expenditure ...	33	79.8
d) Maintenance of rates of Government loans	10	119.8

III. Votes for War Charges.

The votes for war charges are divided into two groups:

(1) the ordinary votes comprising expenditure directly incumbent upon Germany, and the income assigned to cover it.

(2) the extraordinary votes comprising reparation payments in execution of the Experts' Plan, together with the income provided for to cover it.

a. Ordinary votes.

The income under these votes is derived from various administrative sources and is estimated at 0.5 millions. The expenditure viz. 162.3 millions as against 308.6 for the preceding financial

year is intended to cover in particular allowances to former Alsace-Lorraine officials (14.7 millions), compensation to German nationals (58 millions (61.4)); relief to workmen in occupied territories 27.8 (12), delivery of war material, dismantling of fortresses 3.8 millions; miscellaneous 41.1.

b. Extraordinary votes.

The income under the extraordinary votes for war charges should be derived, to the extent of RM 1 095.4 millions, from the external loan, interest on railway and industrial debentures, the Transport Tax etc. and to the extent of 1.5 millions from various administrative sources.

The expenditure should consist of payments to the Agent General to a total of 1 095.4 millions, and of the redemption of Treasury Bonds E, due to mature in the course of the financial year, 142.7 millions.

DEFICITS IN THE DRAFT BUDGETS FOR 1924 and 1925

According to the table at the beginning of this report, the financial years 1924-25 are expected to close with a deficit of 348.1 millions in the first case and 277.4 millions in the second. The balancing of these budgets therefore depends upon the internal loan.

In reality, so far as the financial year 1924 is concerned, from the data to hand on the position of the finances of the Reich for the first ten months, we may conclude that for that period the budget will show, instead of a deficit, a surplus of RM 545

millions.

This unexpected result has been obtained thanks to the considerable surpluses in the receipts from taxation over the estimates. As the table on page 2 shows, these receipts for the first ten months of the financial year exceed by RM 1 113.8 millions the total estimates for the whole financial year.

From the French
Translated - JMP
Checked - NL.

EFD

TRANSFER COMMITTEE

ECONOMIC SERVICE

Berlin, March 6, 1925.

THE RETURNS OF THE REICHSBANK AS ON 28 FEBRUARY 1925.

(See Doc. 58)

The following is the comparison between the balance of the Reichsbank as on 28 February 1925 and the balance for the preceding week and the first balance published under the Law of 30 August 1924.

	In 1 000 M.	Difference as compared with return of 23 February 1925 In 1 000 M.	Difference as compared with return of 15 October 1924 In 1 000 M.
A S S E T S			
1. Unissued shares of the Reichsbank	177 212	-	- 32 788
2. Gold reserve (bullion and bars)	907 277	+ 27 322	+ 293 652
Reserve	699 957	+ 21 435	+ 258 475
On deposit abroad	207 320	+ 5 887	+ 35 177
3. Currencies available as cover	302 425	+ 9 107	+ 97 884
4. Other bills and cheques	1 737 153	+ 251 831	- 416 790
5. Small German coins	62 152	- 3 282	+ 2 793
6. Notes of other Banks	7 242	- 23 215	+ 7 242
7. Advances covered by pledges	90 168	+ 74 311	+ 74 221
8. Securities	112 126	+ 1 959	+ 36 609
9. Miscellaneous Assets	1 683 565	- 5 388	+ 853 664

	In 1 000 M.	Difference as compared with return of 23 February 1925 In 1 000 M.	Difference as compared with return of 15 October 1924 In 1 000 M.
L I A B I L I T I E S			
1. Capital:			
a) Original capital	90 000	-	-
b) Increase of capital decided on	210 000	-	-
2. Reserve fund	900	-	-
3. Notes in circulation	2 106 173	+ 423 373	+ 709 425
4. Other liabilities payable at sight	917 543	- 104 100	+ 89 032
5. Loan from the Rentenbank	237 687	- 28 950	- 562 313
6. Miscellaneous liabilities	1 517 017	+ 42 322	+ 578 343
Re-discounted bills payable in Germany	500 124	- 110 500	+ 243 924
"Gold" cover	43.1%	* 52.3%	43.9% **
"Gold and foreign exchange" cover	57.4%	69.7%	58.6%

The status of the Reichsbank considerably weakened during the last week of February.

Bills and advances against security amount to RM 1 827.3 millions which is an increase of RM 326.1 millions. In view of the fact that rediscounted bills to the amount of RM 110.5 millions were reabsorbed into the portfolio of the Bank and that, on the other hand, RM 28.9 millions in agricultural bills were remitted to the Rentenbank, the increase in

* Cover as on 23 February 1925.
** Cover as on 15 October 1924.

the loans to private interests amounts to RM 244.5 millions.

The circulation of Reichsmarks and Rentenmarks increased to a total of RM 663.1 millions. The Reichsmark circulation amounts to RM 2 106.2 millions which is an increase of RM 423.4 millions; the Rentenmark circulation amounts to RM 1 736.2 millions which is an increase of RM 139.7 millions. Together with the metal coin (about RM 415 millions) and the notes of private banks of issue (about RM 140 millions) the total amount of media of payment in circulation in Germany amounted at the end of February to RM 4.4 millions (as against 4.2 at the end of January and 4.3 at the end of December).

Deposits amount to RM 917.5 millions which is a decrease of RM 104.1 millions.

Owing to the increase in the fiduciary circulation and although the gold reserve has been increased by RM 27.3 millions, the note cover is considerably lower than the preceding week. The "gold" cover amounts to 43.1 per cent (52.3 per cent), the "gold and foreign exchange cover" to 57.4 per cent (69.7 per cent).

From the French: Translated JMP: Checked BWS. MdeJB.

I.I.9.3423. DOC. 61.

TRANSFER COMMITTEE

ECONOMIC SERVICE

Berlin, March 6, 1925.

THE REVALORISATION OF DEBTS IN PAPER MARKS.

On 5 February 1925, the Finance Minister of the Reich sent to the Reichstag a Memorandum indicating the present position of the question which has been agitating Germany for the past year and which was one of the principal election cries last December. The Memorandum gives in outline certain proposals which are to be drafted in the form of Bills which will immediately be submitted to the legislative bodies. In addition to a complete history of the question, the Memorandum contains interesting speculations on the possible effects on private business and on the finances of the Reich, the States and the Communes of a revision of the decisions embodied in the Third Emergency Tax Decree (Dritte Steuernotverordnung). That Decree which, like its Executory Regulations, was very hastily drafted, was from the outset badly received. Its legality under the constitution was attacked before Courts of Law and juridically it is very variously interpreted. It no longer satisfies anybody and public opinion calls unanimously for the replacement of its provisions by legislation which will put an end to the uncertainty which is at present hampering the whole of the economic life of Germany. This uncertainty is not only disturbing to undertakings and individuals who thought that they had freed themselves for ever from their debts

in marks repaid with paper money; it also complicates the preparation of the German budget for 1925/26, since, until the question is settled, there is always the danger of an increase in the burden for the service of the Public Debt.

The Experts' Plan, when fixing a lump sum which leaves Germany free to organise her budget as she likes, on condition that she fulfils her obligations, insists on the fact that the internal debt of Germany is practically extinguished. If this debt is now written up, even partly; the result may be to threaten the stability of the currency. For this reason, the question deserves careful attention.

I. NECESSARY CONDITIONS OF REVALORISATION.

The Third Emergency Tax Decree (Dritte Steuernotverordnung) provides that, in order to be revalorised, a claim must fulfil the following five conditions :-

a) have arisen prior to 14 February 1924 (the date on which the Decree came into force);

b) necessitate the payment of a sum expressed in paper marks;

c) constitute a capital investment (Vermögensanlage);

d) have lost more than 85 per cent of its original gold value;

e) come under one of the following seven categories :-

1) "real rights",

2) claims guaranteed by "real rights",

3) mortgage bonds,

4) industrial debentures,

5) debentures issued by "persons under Public Law, exploiting economic undertakings",

6) deposits in public or controlled Savings Banks,

7) rights in respect of life insurance.

In principle, and subject to the exceptions indicated in the Annex, * revalorisation takes place at the rate of 15 per cent of the original "gold" value of the claim.

A revalorised claim does not fall due until 1 January 1932; the amount owed bears interest only from 1 January 1925 onwards, at the rate of 2 per cent in 1925, 3 per cent in 1926, 4 per cent in 1927 and 5 per cent as from 1 January 1928.

Nevertheless, paragraph 16 of the Decree of 14 February 1924 provided that no revalorisation of the loans of the Reich, the States and the Communes could be claimed until reparation liabilities had been met in full.

II. THE PRESENT POSITION OF THE PROBLEM OF REVALORISATION.

There are three categories of claims which might be affected by any alteration in the present system embodied in the Third Emergency Tax Decree (Dritte Steuernotverordnung):-

Loans of the Reich and the States: public opinion is here in favour of partial revalorisation at least;

Communal Loans: here also, partial revalorisation at least is demanded;

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* Annex.- Special exceptions and additions to the general conditions for the revalorisation of a claim.

Mortgages: here certain sections demand either an increase in the rate of revalorisation from 15 per cent to 20 or 25 per cent, or an extension of the conditions of revalorisation.

In the Memorandum which it submitted to the Reichstag on 5 February 1925, the Government indicated the settlements which it intends to propose for those various categories of claims:

A. Loans of the Reich, the States and Communes.

The distribution of the capital of these loans still in circulation is shown by the following table:

1) Loans of the Reich and of the States:

Pre-war debts	19 000 000 000 marks
War debts	51 000 000 000 marks
All other debts	7 000 000 000 marks
	77 000 000 000 marks
2) Loans of the Communes	9 000 000 000 "
Total	86 000 000 000 marks

The principal arguments for and against the revalorisation of this capital may be summarised as follows :-

The arguments advanced in favour of revalorisation are :

a) Considerations of equity: Those who have lent their money to the State should not be placed at a disadvantage as compared with other creditors, particularly as they belong to the classes who have suffered most by the Inflation;

b) Social Considerations: It is desirable to save from ruin persons whose existence is useful to society and who, failing assistance, will become a burden upon it;

c) Economic Considerations: The Inflation has led to the concentration of national wealth in the hands of the debtors, an unhelathy state of things which would be to a certain extent rectified by revalorisation.

d) Considerations of Public Interest: For the restoration of the credit of Germany, destroyed by the financial collapse of the country, it is essential that the German State should do as the unfortunate debtor does who wishes to be adjudged a bankrupt: that is to say, Germany should devote all her available assets towards compounding with her creditors. In particular, the claims of foreign holders of German securities should be satisfied.

The arguments advanced against revalorisation are as follows:

a) Considerations of the obligations arising out of the Treaty of Versailles and the Experts' Plan: The Treaty imposes a first mortgage on all the assets of Germany; the Experts' Plan, in estimating her capacity to pay, assumes as a basis of the estimate the total extinction of the German State debt, as a result of the depreciation of the mark.

b) Considerations of the dangerous effect which valorisation would have on German currency and trade, by creating new media of payment calculated to lead to inflation and a rise in prices.*

c) The impossibility of making any distinction between the original subscribers to State Loans (the only parties who are, or

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* It is not suggested that the danger would arise so much in respect of the interest (which would be paid out of taxation and would represent no more than a transfer of wealth from one pocket to another) as in respect of the revalorisation of the capital, which might well lead to an extension of credit without any corresponding increase in the productive elements of the county.

should be, concerned) and subsequent buyers of the stock, whose sole object was speculation.

d) Considerations of the unfair advantage to foreign holders, who may, almost without exception, be classified as speculators; any valorisation which extended to them - and any differential treatment would be liable to be followed by retaliation - would constitute a fresh charge on the national balance of payments.

What does the Government propose, in order to take all these considerations into account ?

1) In the case of the first category - Loans of the Reich and States - it is proposed to convert the existing debt into a new stock on the basis of a percentage to be fixed. Interest on this new stock will at first only be paid to the holders of old debt who can prove that they were holders before 1 June 1920. Such holders will receive interest to the amount of 5 per cent of the reduced capital (when this is fixed) for three years from 1 July 1925, the Reich reserving the right, upon expiration of that period, to revise the arrangement if found too onerous for the national budget.

The Memorandum estimates the amount of Government stock in the possession of former holders at from 15 to 20 milliards, and the amount held by people in necessitous circumstances* at 1.5 milliards. If the rate of 1 in 20 is adopted for the conversion of

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* Holders who are necessitous, either as a result of old age (over 60 years) or of other circumstances, will receive, instead of reduced interest as above, an annuity of 2 per cent of the original nominal value of their stock. This allowance will be for life in the first case and will be subject to revision after a certain time in the second. The stock will be "blocked" but may be inherited.

the capital, that is 5 RM for each 100 RM of the original holding of stock (this appears to be the rate which the Government proposes to offer), the burden upon the Reich for the first few years would approximate to 90 to 100 millions.

These proposals are unassuming and would not in their present form constitute a very heavy charge on the Reich. It is none the less true that they open the first breach in the system established by the Third Steuernotverordnung, which subordinates the rights of holders of Government stock to the payment of reparation. The Government in September last confined itself to a "social solution" only, indemnifying certain holders in view of their distress. It now contemplates giving a new title to one and all of the holders. Probably when the proposals come before the Reichstag, the rival bidding of the political parties will result in an increase in the number of immediate participants and in the rate of valorisation. In addition, any surplus in the budget will serve as a pretext to the classes not yet benefiting by the new regulations to claim the same advantages.

2) Communal Loans. For the revalorisation of these loans the same proposals are made as those for the loans of the Reich and the States.

B. Mortgages.

The Memorandum issued by the Finance Minister estimates Germany's total mortgage debt in 1913 as follows:

Mortgages held by	Mortgage Banks	11.4 milliard marks
	Savings Banks	13.0
	Old Age Insurance Companies	0.6
	Private Insurance concerns	7.7
	the States and Communes	7.0
	Total	39.7 milliard marks.

Mortgages held by private individuals from 19 to 27 milliard marks.

According to the Memorandum, out of this total only 24 milliard marks can be revalorised under the terms of the Third Emergency Tax Decree (Steuernotverordnung) at 15 per cent of their nominal value.

Should this rate be made higher ? The Memorandum of the Finance Minister says not, and points out that any increase in the charge on mortgagors (in particular in that on farmers) might have a dangerous effect on production. But landed proprietors should be given the opportunity of obtaining fresh credit by mortgaging their property. Since the promulgation of the Third Emergency Tax Decree (Dritte Steuernotverordnung), a great many farmers have contracted new mortgages, which have been registered in the Land Register. What order of priority would be given to additional mortgages granted to former mortgagees ?

Lastly, any increase in the revalorisation rate might, in view of the legislation in force, have an adverse effect on the budgets of the States.

The nominal value of the mortgages likely to be revalorised being 24 milliards and the rate 15 per cent, the revalorised capital would amount to 3.6 milliard marks. But mortgages on property built

upon represent approximately 3/4 of the total. The obligation incumbent upon the mortgagors, under the Third Emergency Tax Decree, to pay 2 per cent interest as from 1 January 1925, represents, for the States and Communes, a falling off of 54 million marks (3/4 of 72 millions) in the proceeds from the Tax on Rents (Hauszinssteuer). Each unit of increase in this percentage would involve a reduction of 27 million marks in the proceeds from that tax. The States and Communes would be obliged to make good these reductions by means of fresh taxes.

On the other hand, is it necessary to increase the number of beneficiaries under that Decree and to admit for revalorisation, as claimed by a section of public opinion, either mortgages which have been redeemed but have not been struck off the Land Register, or even mortgages which were completely wiped out before the coming into force of the Third Emergency Tax Decree (Dritte Steuernotverordnung).

It is pointed out that in March 1923, at a meeting of the Legal Committee of the Reichstag, and on 4 July 1923, at a plenary meeting of the Reichstag, the Government declared itself opposed to any kind of revalorisation, and that during the greater part of 1923 solicitors advised their clients to authorise the striking off of mortgages against payment of the nominal amount.

The Memorandum of the Finance Minister estimates as follows the capital charge which would fall on German Economy if the provisions of the Third Emergency Tax Decree were made retroactive:

1.05 milliards for retroactivity until 1 July 1923

2.1 milliards for retroactivity until 1 January 1923

3.2 milliards for retroactivity until 1 January 1922.

If such retroactivity were conceded, the budgets of the Reich, the States and Communes would be deprived of a portion of the proceeds from the tax on currency depreciation, and the possibility still open to private interests of procuring further mortgage loans would be restricted.

The Memorandum is therefore opposed to any increase in the rate of 15 per cent at present in force and to any extension of the number of mortgages liable to benefit by revalorisation.

Finally the Memorandum of the Finance Minister considers that, in view of the special charges imposed upon industry by the Dawes Plan, no increase in the revalorisation rate of industrial debentures can be contemplated.

From the French
Translated - BWS
Checked - NL.

A N N E X.

The following exceptions to the General Conditions of Revalorisation are stipulated in the Third Emergency Tax Decree (Dritte Steuernotverordnung):

1) Claims guaranteed by "real rights" are not necessarily revalorised at the same rate as the "real rights" (land or sea mortgages) by which they are guaranteed. The rate of 15 per cent is applied only "in so far as revalorisation at a higher or lower rate" does not take place in virtue of general provisions.

2) Mortgage bonds are revalorised to the extent to which the revalorisation of the claims which constitute their cover renders this possible. These claims form one joint fund to which contribution paid by the issuing firm may possibly be added. This fund is distributed among the bond holders in proportion to the original gold value of the various series of mortgage bonds.

3) Savings Bank deposits and rights in respect of life insurance are revalorised in the same way as mortgage bonds. The Decree of 14 February 1924 provides for the intervention of a Trustee who is responsible for planning the distribution of the whole fund among the various claimants. In the case of Savings Bank deposits, it further grants a right of priority to the claims of minors and such associations etc. as are compelled to choose certain investments (Trustee Investments). Applications for revalorisation had to be made by the persons concerned before 31 December 1924.

Finally, in the case of certain claims not mentioned above, paragraph 12 of the Decree provides special regulations :

1) Claims, the object of which is the balancing of a current account, are not revalorised;

2) Claims arising out of reciprocal or company contracts, and which cannot be considered as constituting a capital investment, are revalorised in conformity with general legal principles. Entire freedom of judgment is left to the Courts of Law;

3) Claims which constitute a capital investment, but are not included in any of the categories mentioned above, are revalorised in conformity with general legal principles. Entire freedom of judgment is left to the Courts of Law; nevertheless, the Decree provides that the revalorisation may not exceed 15 per cent of the original gold value.

This provision affects more particularly the loans of individuals raised by note of hand.

From the French
Translated - BWS
Checked - NL.
MdeJB.

TRANSFER COMMITTEE

ECONOMIC SERVICE.

Document No 62.

I.I. 9.4133. Berlin, 10 March 1925.

THE MONTHLY BALANCE-SHEET OF THE RENTENBANK AS ON 28 FEBRUARY 1925.

(See Doc.49)

The following is the comparison between the balance-sheet of the Rentenbank as on 28 February 1925 and the balance-sheet as on 31 January 1925.

	Balance-sheet as on 28 February 1925	Difference as compared with balance-sheet as on 31 January 1925
A S S E T S :		
Charges on German industry.....	2 000 000 000	-
Amount of Rentenbriefe as on 31 Jan.1925: 1 999 844 000 28 Feb.1925: 1 999 844 000		
Loans to the Reich	1 186 666 667	
Outstanding credits	780 334 583,57	
Cash in hand, transfer (Giro) accounts, postal cheques and Bank assets	206 029 859.32	+ 3 290 494.1
Office furniture and supplies ...	76 195.16	+ 2 554.65
Miscellaneous assets	-	-
L I A B I L I T I E S :		
Capital	2 000 000 000	-
Reserve	-	-
Rentenbank notes in circulation..	1 966 845 250	-
Rentenbriefe in circulation	156 000	-
Miscellaneous liabilities (interest accrued on Rentenbriefe).....	1 075	- 1 350

MLG.

DOC. 63

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 11, 1925.

THE SCHEME FOR ORGANISING THE RENTENBANK-KREDITANSTALT

The Government of the Reich has just submitted to the Reichsrat a Bill concerning the creation of the Rentenbank-Kreditanstalt, the agricultural credit enterprise provided for in paragraph 9 of the Law of 30 August 1924 on the liquidation of Rentenbank notes.

The idea of forming an agricultural credit establishment to work side by side with the Rentenbank, arose out of the necessity with which the Rentenbank was faced, of liquidating the 870 million R.M. of credits it had granted to agriculture, within three years from 1 September 1923. The Rentenbank-Kreditanstalt is to replace the Rentenbank in its functions as an agricultural credits bank.

As far back as November 1924, the Rentenbank had drawn up a scheme for a Rentenbank-Kreditanstalt, but this scheme did not meet with the approval of the Reichsrat. In view of the impossibility of finding a rapid and final solution, a provisional institution was created in December 1924 under the name of Rentenbank-Treuhandstelle. This Trust company, which acts at the present time as intermediary between the Rentenbank and the agriculturists, is to be dissolved upon the day the Rentenbank-Kreditanstalt is constituted.

The principal clauses of the scheme for forming the Rentenbank-Kreditanstalt, as submitted to the Reichsrat, are the following :

CAPITAL. The original capital of the Rentenbank-Kreditanstalt will be formed by the present funds at the disposal of the Rentenbank, amounting to approximately 200 million RM.

To these disposable funds will be added the following :-

1) the annual payments of 25 million RM, as prescribed in paragraph 9 of the Law of 30 August 1924 on the liquidation of Rentenbank notes;

2) any profits realised by the new concern;

3) the assets remaining upon the liquidation of the Rentenbank. These assets do not include the mortgage charges which have been imposed upon agriculture for the benefit of the Rentenbank, and which will disappear at the same time as the latter.

It is generally considered that the total amount of these sums will reach the approximate figure of 500 million RM, at the moment of dissolution of the Rentenbank.

The scheme fixes no maximum for capital. In paragraph 7 it provides merely that the scheme of distribution of profits must be approved by the Government, where these profits are not paid into the capital or reserve funds, or where their

incorporation in the capital or ordinary reserve would bring the amount of these two items above the figure of 500 million R.M.

The Transactions of the Rentenbank-Kreditanstalt.

The Rentenbank-Kreditanstalt will grant personal (unsecured) credits and credits secured by mortgage.

These transactions can however be effected only through the intermediary of the agricultural credit banks, which will be enumerated in the Statutes of the Rentenbank-Kreditanstalt. The States and the agricultural organisations nominated by the Government of the Reich or the Governments of the States may profit equally by these loans.

The Rentenbank-Kreditanstalt may, for its part, contract loans for periods of more than one year.

On the other hand it may, with the authorisation of the Reich issue bearer bonds up to a sum equal to eight times its capital. These bonds must be covered either directly by mortgages, or indirectly by mortgage bonds of the German Land Credit institutions or German Mortgage Banks.

Although not expressly stated in the Bill, it appears as if it was intended to reserve the actual capital of the Rentenbank-Kreditanstalt, which as stated above will probably amount to 500 million R.M., to meet personal (unsecured) credits, the mortgaged credits being fed from the proceeds of mortgage bonds which would be issued abroad, in order to avoid requisitioning the German capital market. The press nevertheless hopes that part of the unemployed and non-transferable funds at the

disposal of the Agent General might be devoted to agricultural credits through the intermediary of the Rentenbank-Kreditanstalt.

The organisation of the Rentenbank-Kreditanstalt

The Rentenbank-Kreditanstalt will be organised on the same lines as the Rentenbank.

The management will be assured by :-

1) an Administrative Board (Verwaltungsrat) which will function at the same time as a Managing Board (Vorstand) and be composed as follows: one Chairman and 11 persons nominated by the meeting (Anstaltsversammlung) and 8 persons nominated by the Reichsrat. The Administrative Board may include two financial experts;

2) a meeting of the institution (Anstaltsversammlung).

The Rentenbank-Kreditanstalt is placed under the supervision of the Reich, which may take all steps necessary to ensure the said institution continuing to work in conformity with its Statutes and with the laws. The Rentenbank-Kreditanstalt has the right of independent action in so far as its administration and the transactions undertaken by it are concerned.

G.D.

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Doc. N°. 64
BERLIN 12 March 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

RETURN OF THE PUBLIC DEBT OF THE REICH

as at 31 January 1925.

(see Doc. Nos 21 and 48)

The latest number of the review "Wirtschaft und Statistik" (N°.4) publishes the return of the Public Debt of the Reich as at 31 January 1925. A copy of this return is appended.

The total figure of the debt amounts

as at 31 December 1924 to	RM 2 894.9	millions
31 January 1925	2 888.3	"
Reduction for January	RM 6.6	"

The principal changes are in the following items:

a) Treasury Bonds.

The amount of Treasury Bonds in Reichsmarks (working funds of the Reichshauptkasse) has increased from RM 30 millions to RM 55 millions which is a difference of RM 25 millions. The figures under the other headings (E and K Bonds) are not much changed.

b) Debts to the Banks.

In the course of January the Reich repaid RM 13.3 millions on the amount of its debt to the Rentenbank, and RM 9 millions on the amount of its debt to the Reichsbank.

c) External Loan.

Notwithstanding the sinking fund payments made in January, the value in R.M. of the External Loan (Dawes Loan) increased from GM 939.9 millions to GM 943.9 millions. This increase is exclusively due to the rise in the pound sterling.

d) Miscellaneous.

The item "security" has decreased from RM 116.4 millions to RM 104.8 millions, which is a reduction of RM 11.6 millions.

From the French
Translated - JMP
Checked [illegible]

PUBLIC DEBT OF THE REICH (in millions of RM)

	31 December 1924	31 January 1925
I. Treasury Bonds		
Paper -marks	0.0	0.0
Dollar bonds	-	-
6 per cent redeemable 1935	25.0	24.0
6 per cent " 1932	1.9	1.4
"K" Bonds	1.6	1.4
"E" Bonds	317.0	317.0
Reichsmark drafts	30.0	55.0
Total	375.5	398.8
II. Debts to the Banks.		
Rentenbank non interest bearing) interest bearing ;)	1 200.0	1 186.7
Reichsbank	235.5	226.5
Total	1 435.6	1 413.2
III. External loan.		
110 million dollars	458.9	457.4
21.36 " pounds sterling	422.6	428.6
25.2 " crowns	28.5	28.4
100 " lire	17.7	17.5
15 " Swiss francs	12.2	12.1
Total	939.9	943.9
IV. Other debts.		
Other commitments	18.6	18.6
Security	116.4	104.8
Loan to agriculture (Meliorations-Kredit)	9.0	9.0
Total	144.0	132.4
Grand total	2 894.9	2 888.3

From the French
Translated - JMP
Checked - NL.
GS.

I.I.9. 312512
312513

Doc. 65

BERLIN, 14 March 1925.

TRANSFER COMMITTEE

Economic Service.

BILL ON THE BEER TAX AND THE TOBACCO TAX.

Following upon the Tax Bills recently analysed, the Government of the Reich submitted to the Reichstag on 2 March 1925, a new bill on the Beer Tax and the Tobacco Tax.

I. Beer Tax.

a) The Bill doubles the tax rates at present in force. The tax is computed on the quantity of beer manufactured in a brewery during a financial year, according to the following scale:

	Present scale	Proposed scale
on the first 2 000 HL	RM 5.00	RM 10.00
" following 8 000 HL	5.10	10.25
" " 10 000 "	5.25	10.50
" " 10 000 "	5.40	10.75
" " 30 000 "	5.60	11.20
" " 60 000 "	5.90	11.70
over 120 000 HL	6.10	12.20

b) The tax will be payable on the 10th of each month for the beer delivered during the preceding month (According to the system at present in force, the tax is payable twice a month).

c) The tax exemption hitherto allowed to persons manufacturing beer for their personal use is suppressed.

d) The share of the States of Wurtemberg, Bavaria and Baden in the proceeds of the tax are definitively fixed:

Wurtemberg	RM 927 000
Bavaria	4 897 000
Baden	635 000

e) From the application of these provisions, the Government, although admitting a reduction of one sixth in the present consumption (6 million HL out of 36), expects an annual income of 315 millions (instead of 190 millions under the present system) (1) that is an increase of RM 125 millions.

II. Tobacco Tax.

a) The tax is computed on the retail sale price of tobacco. The scale in force and the scale proposed by the new Bill are the following:

	Present scale (percentage of the retail selling price including tax.)	Proposed scale (percentage of the retail selling price including tax.)
Cigars	20 per cent	25 per cent
Cigarettes	40 "	50 "
Finely cut tobacco	40 "	50 "
Pipe tobacco	20 "	25 "
Chewing tobacco	5 "	10 "
Snuff	10 "	15 "

(1) During the first ten months of the financial year 1924-25, the receipts amounted to RM 163 millions.

b) The new Bill proposes an increase in the customs duty on raw tobacco. The rate proposed may be compared as follows with the rate at present in force (per 100 kgs, net weight):

	Present rate	Proposed rate
Raw tobacco untreated	M. 30	M. 80(1)
Tobacco stalks and stems	M. 12	" 31
Tobacco lye	M. 19	" 49
Treated tobacco leaves	M.280	" 92

c) The income from the tax, the customs duties on the tobacco, together with the increased income expected from the application of the new provisions, are estimated as follows for one year:

	Income estimated according to the present rates.	According to the new provisions.	Increased income.
		(Millions of RM).	
Tobacco tax	500(2)	686	186
Customs duties . . .	28	58	30
Total . . .	528	744	216

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The increased income expected from the application of the provisions of the two new Bills would thus amount to

for the Beer Tax . . . . . RM 125 millions.
for the Tobacco Tax & Customs Duties on tobacco, about RM 220 "
Total... 345 "

M.H.

(1) In 1913 the duty was fixed at M.85
(2) For the first 10 months of the financial year 1924-1925 the receipts from the Tobacco Tax amounted to RM 416 millions.

From the French
Translated - JMP
Checked - NL.

I.I.9.312. DOC. 66.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 16,1925

THE NEW TAX BILLS OF THE GOVERNMENT

S U M M A R Y.

I. Steuerüberleitungsgesetz. Regulates Income Tax and Corporation Tax for 1924 and 1925.

In principle, the anticipatory payments of 1924 are not returned (in certain cases, partial return of the payments, or supplement to be paid by the tax-payer). For 1925, extension of the system of anticipatory payments.

II. Bill on the assessment of fortunes and income.

Uniform valuation for all taxes on property. General rules for the valuation of property and capital.

III. Bill on Income Tax.

The rate of the tax varies from 10 to 35 per cent according to the grades of taxable income. The total tax may not exceed 33 1/2 per cent of the income.

10 per cent is deducted at the source in the case of wages and interest on transferable securities. Anticipatory payments due every quarter. Definitive fixing of the tax by the Finanzamt (Finance Office).

IV. Bill on Corporation Tax.

Same general rules as in the case of Income Tax. The rate of the tax is fixed at 20 per cent of the income whether distributed or not. (Lower rates provided for certain classes of companies).

V. Bill on Tax on Fortunes and on Death Duties.

The rate of the Tax on Fortunes is fixed at 5 o/oo (3 o/oo and 4 o/oo up to M. 50 000) of the taxable capital. The rates of Death Duties vary from 2 to 60 per cent according to the amount inherited and the degree of relationship.

VI. Bill to amend the Taxes on the Circulation of Capital.

Reduction of the rates of the tax on the Constitution of companies (from 5 to 4 per cent) of the tax on the issue of industrial bonds and debentures (from 3 to 2 per cent) of the tax on bills of exchange (from 0.20 to 0.10 per cent), of the tax on the conveyance of land (from 4 to 3 per cent), of the tax on bourse transactions (7 categories) - for stock and share transactions with customers (from 0.6 to 0.3 per cent).

VII. Bill on the respective rights of the Reich, the States and the Communes to levy taxes.

This Bill regulates the respective rights of the Reich, the States and the Communes in respect of the taxation of undertakings and administrations run by them.

There is nothing to show and it is impossible to predict the increase or reduction in the receipts, entailed by the application of the new provisions.

From the French
Translated - JMP
Checked - ML
MP.

DOC. 66.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 16,1926.

THE NEW TAX BILLS OF THE GOVERNMENT.

The Government submitted to the Reichsrat on February 19, 1925, seven tax bills bearing the following titles :

1. Bill provisionally to regulate Income Tax and Corporation Tax, until these taxes shall have been definitively assessed (Steuerüberleitungsgesetz).
2. Bill on the method of assessing fortunes and income.
3. " " Income Tax.
4. " " Corporation Tax.
5. " " Tax on Fortunes and Death Duties.
6. Bill to amend the Taxes on Circulation and the procedure in connection therewith.
7. Bill on the respective rights of the Reich, the States and the Communes to levy taxes.

Three other bills relating to Excise Duties (Beer and Tobacco) and to the financial relations between the Reich and the States, were submitted on March 2.

The following is a very brief summary of the first seven Bills.

I) Bill provisionally to regulate Income Tax and Corporation Tax (Steuerüberleitungsgesetz).

The object of this Bill is to regulate Income Tax and Corporation Tax for the years 1924 and 1925.

According to the Second Emergency Decree of December 19,1923,

the amount due in respect of Income Tax and Corporation Tax, was to be definitively fixed at the beginning of 1925 on the basis of the taxable income actually realised for 1924. This provision cannot be observed because :

a) These taxes have already been transferred to the States and Communes at the rate of 90 per cent, and the Reich is unable to refund over-payments.

b) It is impossible, owing to the different dates of the gold balance-sheets, to draw up uniform rules for calculating the tax chargeable on all concerns.

1. Payment of the Tax for 1924.

Anticipatory payments made during 1924 represent in principle the amount of tax due.

This principle is modified in certain cases.

According to the case under consideration, the tax should be computed either on the basis of the income realised during the ordinary year (Calendar year), or on the basis of the income realised during a business year ending within the ordinary year. The business year for agricultural undertakings must run from July 1, 1924 to June 30, 1925.

A. Incomes derived from commercial professions.

a) Income realised during a business year (1923/24) ending before November 14, 1924 (that is to say, comprising a period preceding stabilisation).

In no case is an increase possible. A Repayment may be made on the anticipatory payments, upon application by the tax-payer, on the ground of his individual economic circumstances (illness, loss, children etc).

b) Income realised during a business year (1923/24) ending after November 14, 1924, or during the ordinary year 1924.

Repayments may be made on the anticipatory payments (diminution of taxes):

1. On the ground of the individual economic circumstances of the tax-payer.

2. When the assessment of the tax-payer's fortune as at December 31, 1924, including his expenditure, is 5 per cent lower than the assessment as at December 31, 1923. In that case, the amount due is computed on the basis of the fortune as at December 31, 1924, at the rate of 0.95 to 0.75 per cent thereof, according to the diminution established as at December 31, 1924. The tax-payer may apply for repayment of the amount overpaid during the year.

Example: An industrialist had on December 31, 1923, a capital of M.400 000; on December 31, 1924, after allowing for revisions it amounts to M. 300 000 (25 per cent loss); he has paid M. 4 800, owes 0.75 of the final capital, namely M. 2 250, and is entitled to repayment of the amount overpaid: namely M. 2 550.

A higher tax is provided for private individuals and corporations, if their fortune as at December 31, 1924,

including their expenditure during the year (or dividends, percentages etc. distributed) amounts to M. 20 000 and exceeds by 5 per cent or by at least M. 10 000, their fortune as at December 31, 1923.

B. Income from liberal professions, salaries, annuities etc.

A reduction may be accorded on the ground of the individual economic circumstances of the tax-payer. An increase is compulsory if the tax-payer's income exceeds his expenditure by more than M. 50 000.

C. Computation of the Increment Tax.

The Increment Tax is computed as follows on the basis of the increase in the fortune (B) or of the excess of income over expenditure (C) :

Increase in fortune or excess of income	Individuals.	Companies run for a profit.	Other Companies.
up to M.8 000.	10 per cent (1)	20 per cent	10 per cent
from 8 000 to 50 000	20 " "		
from M.50 000 to 100 000	25 " "		
over M. 100 000	30 " "		

(1) This rate is reduced by 1 per cent for each member of the tax-payer's family (wife, children, etc.)

2. Anticipatory payments for 1925.

Until the application of the new laws on Income Tax and the Corporation Tax, the tax-payers have to make anticipatory payments on these taxes on the basis of the rates fixed in the Decree of November 10, 1924.

a) For agricultural and forestry undertakings, the payments have to be made quarterly, on February 15 and May 15. No payment has to be made on August 15, but, instead, a double payment has to be made on November 15. (The payments of February 15 and May 15 amount to 0.75 o/oo of the value of the undertaking, that of November 15 to 1.50 o/oo).

b) For companies run for a profit and for banking concerns, the payments are quarterly. Any concerns which have sustained losses during the first half of the financial year may postpone the anticipatory payments until the second half year.

c) For the liberal professions and income from capital, the anticipatory payments are still computed at the rate of :

10 per cent for the first 2 000 marks of quarterly income
15 " " " " next 2 000 " " " " "
20 " " " any higher amount.

For salaries and wages, and income from transferable securities, the payments have still to be made at the rate of 10 per cent (for salaries and wages, abatements are allowed for family charges up to M. 8 000).

II. Bill on the Method of Assessing Fortunes and Income. (Reichsbewertungsgesetz).

Principle of a uniform valuation for all the taxes on property.

Property as defined in this Bill, is assessed on a uniform basis (Einheitswert) which applies equally to the Tax on Fortunes and to the other taxes levied by the Reich, the States and the Communes (Land taxes, Tax on Professions etc..). The authorities of the Reich, the States and the Communes take part in this assessment.

Assessment of Property.

In principle, the regulations prescribed by the Law on the collection of the Taxes of the Reich (Reichsabgabenordnung) are applicable.

a) Agricultural undertakings.

The value of the property is fixed at 25 times the net income realised in normal circumstances.

The assessment of the property for one year should represent the value of the property as at June 30. In the case of vineyards, the date is postponed to August 31.

Business capital in Germany.

Under this heading are comprised all the forms of capital used to carry on an industry or a profession (including mines, quarries, etc.....). The assessment of the property for one year should represent its value as at December 31. The debts of the undertaking are deducted from the gross capital value.

For undertakings which issue a yearly balance-sheet, the value indicated in the balance-sheet preceding December 31, of the valuation year may be taken as a basis.

c) Landed property in Germany.

The value of the landed property cultivated should be assessed on the basis of the net average income capitalised at 25. Uncultivated landed property should be assessed on the basis of the market value (value in normal circumstances).

d) Property situated abroad.

The value of property situated abroad is generally assessed on the basis of the market value.

e) Miscellaneous property. (This heading comprises any property which does not come under the above categories).

Bonds and securities should be assessed on the basis of their official quotation. The Finance Minister may lay down the rules to be followed in estimating the value of such property.

f) The total fortune.

The total fortune is obtained by adding together the various assessments of the tax payer's property. Debts must be deducted. The total obtained constitutes the taxable capital in respect of the Tax on Fortunes.

Assessment procedure.

Committees are entrusted with assessing the different kinds of property. At the Finance Ministry, a Board (Bewertungsbeirat) is entrusted with drawing up the rules and the bases of assessment for landed property.

In particular, the following are the competent Committees :

a) For agricultural concerns and urban property, the Grundwertausschuss (Chairman: the Director of the local Finance Office of the Reich, Vice-Chairman: an official of the State concerned. Members: an official of the Commune and representatives of the tax-payers and of the administration).

b) For business capital, the Gewerbeausschuss, composed in the same way as the Grundwertausschuss.

The usual channels of appeal are open against the decisions of these Committees.

III. Income Tax Bill.

This law is intended to replace the Income Tax Law of March 20, 1920.

1. Persons to whom the Law applies.

Physical persons domiciled in Germany or who have resided there for more than six months are liable to be taxed in respect of the whole of their income. In principle this income includes income realised abroad, whether it is

transferred to Germany or not. The Finance Minister is authorised to modify this rule in the case of officials abroad or of expatriated Germans returning to Germany.

All persons, irrespective of their nationality, are liable to be taxed in respect of income realised in Germany.

2. Taxable income.

Taxable income comprises the following classes of income :

1. Income from agriculture and forestry concerns,
2. trade and industry,
3. liberal professions etc.
4. salaries and pensions,
5. capital,
6. rents and rent from landed property and rights,
7. dividends, and periodical claims and receipts,
8. miscellaneous profits.

Income includes profits realised on the sale of concerns or holdings, and profits realised on speculation, if the buying and selling transactions are effected within a year of each other (within two years for real estate) etc. Gaming and lottery winnings are exempt.

As income under classes 1 - 3 above is understood the surplus of income over the expenditure involved by the acquisition of income (taking into account the increase or

diminution of capital shown in the balance sheet, in the case of commercial men); in all the other cases (4 - 8) is understood merely the surplus of income over the expenditure necessitated by the acquisition of income.

3. Assessment of the tax.

Assessment takes place twice a year:

a) in the second half-year (for the first time in the second half of 1925) for those tax-payers (including farmers) whose business year ends within the first half of the year.

b) in the first half of the year for those tax-payers whose business year ended during the preceding half-year or simultaneously with the ordinary calendar year.

4. Taxation according to expenditure.

If the expenditure of a tax-payer is clearly more than 150 per cent of the taxable income and exceeds M. 8 000, the tax is assessed according to the expenditure.

5. Rates.

The Finance Minister prescribes the conditions for the establishment of the tax-payers' statements.

The rates for the different grades of taxable income are as follows: (1)

not exceeding M. 8 000	10	per	cent
from M. 8 000 to M. 16 000,	15	"	"
from M.16 000 to M. 24 000,	20	"	"
from M.24 000 to M. 48 000,	25	"	"
from M.48 000 to M. 98 000,	30	"	"
over M.98 000	35	"	"

(1) The 10 per cent rate is reduced by 1 per cent for each person supported by the tax-payer (wife, children).

The total tax may not exceed 33 1/2 per cent of the income. Income not exceeding M. 900 is exempt. Incomes not exceeding M. 8 000 are entitled to an abatement of M. 600.

6. Deduction of the tax from salaries and wages.

The minimum income exempt from the tax on wages remains fixed at M. 60 per month. For that portion of the wages exceeding M. 60, a 10 per cent tax is deducted at the time of payment, (less 1 per cent for the tax-payer's wife and each child under 17 years of age, and 2 per cent for each child after the fourth).

In addition, the portion of the wages exceeding M. 8 000 is still subject to the general tax, minus the sums deducted at the source.

7. Deduction of the Tax on Income from Capital.

10 per cent is deducted by the debtor at the time of the payment of dividends, interest, royalties, etc.....

The balance of the tax, if any, is paid according to the ordinary rules and regulations.

8. Payment of the Tax.

Pending receipt of the tax collection form, the tax-payer has to make on February 15, May 15, August 16 and November 15, four anticipatory payments, each equal to a quarter of the tax fixed for the preceding year. In the case of agriculture, there is no payment on August 16, but instead a double payment on November 15.

The tax is definitively fixed by the Finanzamt (Finance Office) Anticipatory payments, as well as deductions at the source (wages, coupons, etc.) are deducted from the amount due by the tax-payer. Any balance must be paid by him in the course of the following month, or repaid by the Finance Administration at a later date, as the case may be.

IV. Bill on the Corporation Tax.

Companies to which the Law shall apply.

a) Companies run for a profit.

b) All other companies and combinations of property under civil law.

c) Public undertakings and administrations, with the exception of the administration of public forces, religious or charitable societies.

The following are exempt:

The Deutsche Reichsbahn, the Reichspost and Government Monopolies, the Reichsbank, the Rentenbank, the Golddiskontbank, the Bank for Industrial Debentures, Savings Banks, etc.

Taxable income

The provisions applicable in respect of Income Tax are also applicable in respect of the Corporation Tax.

Assessment of the Tax

The tax is assessed on the taxable income,

a) realised during their business year, for companies compelled to keep account books;

b) realised from July 1 to June 30 of the following year, in the case of agricultural or forestry concerns;

c) realised during the calendar year in the case of all other companies.

As in the case of Income Tax, the Corporation Tax is assessed as at June 30 or December 31, according to the date of the expiration of the tax-payer's financial year.

Rates of the Tax.

a) In general the rate of the tax is fixed at 20 per cent of the taxable income.

b) For Limited Liability Companies domiciled in Germany, whose property as assessed for the Tax on Fortunesdoes not exceed M. 50 000, the tax is graded as follows :

10 per cent for the first 8 000 marks of taxable income,
15 " " for taxable income between M.8 000 and M.16 000
20 " " " " " M.16 000 " M.24 000
25 " " " " above M. 24 000.

The total tax cannot exceed 20 per cent of the taxable income.

c) For companies and associations under civil law, private banks of issue, mortgage banks, companies domiciled or having their headquarters abroad etc., the tax is fixed at 10 per cent.

Payment of the tax

The same provisions apply as in the case of Income Tax (anticipatory payments etc.)

V. Bill for the Tax on Fortunes and Death Duties.

A. Tax on Fortunes.

Persons subject to the Tax.

The persons to whom the law will apply are the persons subject to Income Tax or Corporation Tax.

Public administrations or public bodies corporate are exempt from the tax.

Taxable capital

The taxable capital is assessed according to the rules and regulations prescribed by the Law on the Assessment of Fortunes (see Chapter II above).

Rate of the Tax

In principle the tax is fixed at 5 o/oo of the taxable capital. It is reduced

to 3% for taxable capital not exceeding M.25 000

to 4% for taxable capital between M.25 000 and M. 50 000.

Exemptions

The following are exempt :

a) persons whose taxable capital does not exceed M. 5 000.

b) persons whose taxable capital does not exceed M.10 000 and whose taxable income does not exceed M.3 000 (or M.4 000, 5 000, 6 000 in the case of a taxpayer with 2, 3, 4, or more than 4 children).

c) tax-payers of at least 60 years of age or otherwise incapacitated whose taxable capital does not exceed M. 20 000 and taxable income M. 5 000 (M. 6 000 in the case of tax-payers with more than two children under age).

Fixing and Payment of the Tax.

The tax is fixed for the ordinary calendar year immediately following the year of assessment of the taxable capital. It is payable on February 15, May 15, August 15 and November 15.

Pending receipt of the tax collection form, the taxpayer has to pay on each of the above-mentioned dates a sum equal to one quarter of the amount of the tax fixed for the preceding year. This Law is to come into force as from January 1, 1925.

B. Death Duties.

The Bill amends certain articles only of the existing Law (Law of August 7, 1922).

The Law deals with inheritances, legacies and various donations.

Persons subject to Death Duties

All heirs or legatees are subject to the tax, with the exception of husband or wife if there are children or grandchildren by the marriage.

Assessment of the Death Duties

Death Duties are assessed on the value of the property as assessed under the Law on the Assessment of Fortunes. The assessment rules are however modified in the case of certain property (securities, landed property, etc).

Rate of Death Duties

The rate is fixed according to the degree of relationship and the value of the property inherited (see following extract from table).

CLASSES

	1 Wife and children	2 Grand-children.	3 Parents and brothers	4 Grand-parents, relations four times removed.	5 Other relations and strangers.
	per cent	per cent	per cent	per cent	per cent
Up to : M. 10 000	2	4	6	8	14
" 20 000	2.5	5	7.5	10	16
" 100 000	4.5	9	13.5	18	24
M. 1 000 000	9.5	19	28.5	38	44
over 10 000 000	15	25	40	50	60

It is provided that inheritances received after December 31, 1924, shall come under the new Law.

VI. Bill to amend the taxes on the circulation of capital.

A. Tax on the Constitution, Amalgamation, etc. of Companies. (Gesellschaftssteuer).

The rate of the tax on the Constitution of Companies and Increases of Capital is reduced from 5 to 4 per cent, and for amalgamations of companies from 2 1/2 to 2 per cent.

B. Tax on Securities (Wertpapiersteuer).

The tax on the Issue of Industrial Bonds and Debentures is reduced from 3 to 2 per cent, and that on the Issue of Foreign Shares, from 5 to 2 per cent.

C. Tax on Bourse Transactions (Börsenumsatzsteuer).

The tax is fixed according to the value of the transaction :

	Transactions.		
	between banks.	with customers	between private parties.
	percentage of tax.		
a) Bonds of the Reich, States and Communes etc.	0.02	0.04	0.04
b) Bonds of mortgage banks	0.03	0.06	0.06
c) Other Bonds (foreign)	0.05	0.20	0.20
d) Shares	0.10	0.30	0.30
e) Foreign exchange (Devisen) foreign bills etc.	0.05	0.30	0.30
f) Other foreign media of payment	0.02	0.10	0.10
g) Commodities	0.04	0.04	0.04

D. Deliveries and services subject to the tax on companies (Gesellschaftssteuer) and to the Tax on the Percentages of Directors (Aufsichtsratsteuer) are exempt from Turnover Tax.

E. Tax on Bills of Exchange.

The rate of this tax is reduced from 0.20 to 0.10 per cent of the amount of the bill of exchange.

F. Tax on Conveyance of Land.

The rate of the tax is reduced from 4 to 3 per cent.

VII. Bill on the respective rights of the Reich, the States and the Communes to levy taxes.

This Bill regulates the tax rights of the Reich, the States and the Communes, as regards the undertakings and administrations run by them.

In principle, the Reich is entitled to collect the charges and taxes levied in respect of the undertakings of the States and Communes. The States and Communes are entitled to collect the charges and taxes levied in respect of the undertakings of the Reich (Land Tax etc.)

The Reich is exempt from all legal charges and the States from all charges in the Courts of the Reich.

The undertakings of the Reich vested with public authority, such as the Reichspost, the Monopoly administrations of the Reich, as well as the Railway administration are compelled to contribute a fixed amount to the Communes in which their employees are domiciled, when the number of these together with their family exceeds 20 per cent of the total number of inhabitants of the Commune; these contributions may amount to 30 - 90 per cent of the communal expenditure.

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I.I.9.312 Doc.67

TRANSFER COMMITTEE

ECONOMIC SERVICE.

N O T E

BY M. GAILLET-BILLOTTEAU

ON THE NEW TAX PROPOSALS

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I.I.9.312 Doc.67

BERLIN, 18th March 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE.

NOTE ON THE NEW TAX PROPOSALS OF THE GOVERNMENT.

(see Doc. 66).

As far as income is concerned, the draft budget for 1925/26 (see Document No. 59) merely repeats the estimates of the 1924/25 budget. It was only submitted as a matter of form, with a view to satisfying the requirements of the Constitution (§ 85). Indeed, it offers no solution of the three questions, the settlement of which is urgently necessary and may profoundly alter the whole structure of the budget. These are:-

1) The reform of direct taxation, established on an entirely provisional basis since the stablisation;

2) The financial settlement between the Reich, the States and the Communes, which must be fixed again before 1 April 1925.

3) The revalorisation of public and private debts (see Doc. No. 61)

We shall here deal once more with the new tax programme, which is now known, which gives the solution proposed by the Government for the first question, and which has already been analysed (see Doc. No. 66). Another report will follow, dealing with the proposal submitted on 2 March 1925 for a financial settlement between the Reich, the States and the Communes.

I New tax legislation on the principal direct taxes (Income Tax - Einkommensteuer - Corporations Tax - Körperschaftssteuer - Tax on Fortunes - Vermögensteuer) is undoubtedly required. These taxes have been regulated since the beginning of 1924 by chance provisions (in particular the Second Tax Decree of 19 December 1923), adopted immediately after the stabilisation and calculated more especially with a view to procuring the funds required for financial reform. For want of valuation data, income tax is not levied on the actual income, but on external evidences of income (turnover) or according to the tax-payer's fortune, and provision is made for anticipatory payments every month or every quarter.

It is now necessary -

a) to wind up the past arrangements and to ensure the return to a normal regime;

b) to establish this normal regime.

II. LAW ON THE VALUATION OF CAPITAL.

On the first point, the Government was faced by undertakings which were perhaps unwise. In the case of income, surplus amounts collected were to be estimated and refunded. In the Law on the Valuation of Capital (Ueberleitungsgesetz), the Government lays down the principle that there will be no valuation of income for 1924 and that the payments made will be retained and will be considered as cancelling the tax debt for 1924. It is obliged to recognise that, in general, tax payers have

paid much more than they would normally have done and, as the extraordinary brilliant financial position does not appear to justify the retention of sums paid in excess, it defends the proposed solution by arguing that it is impossible definitively to establish 1924 incomes, and more especially that 90 per cent of the proceeds from the taxes in question have been refunded to the States. Nevertheless, it admits exceptions to the general rule under certain conditions: it thus agrees to the repayment of part of the sums collected, should the capacity to pay of the tax payer have been considerably reduced by special circumstances, or, in the case of traders or companies, if their capital has been reduced in a certain proportion during the financial year; on the other hand, additional sums are to be collected if the administrations finds upon enquiry that the income of the tax payer has exceeded certain limits (the provisional taxation for 1924 was not graded).

The Government does not indicate the financial results of these readjustments. It is nevertheless probable that they will only alter the balance sheet for 1924/25 very slightly and for the better; stock-takings at the end of 1923 were usually so cautious that little margin was left for depreciation during 1924, especially as the value of securities and of movable and immovable property has since increased.

III. There were two possible ways to establish a normal regimé for the future: it was possible either to return to the laws in force prior to the 1923 crisis

(Law on the Erzberger programme, or on the "Financial Compromise" of 1922) or to pass fresh legislation. The Government chose the second alternative (except in the case of Death Duties).

The old laws were passed at a time when the currency was already considerably depreciated. Improvised so as to procure resources which were always inadequate, constantly redrafted so as to adapt them to the fall of the mark (from 1920 to the beginning of 1923, eight alterations in the Income Tax), they suffered from the haste with which they were drafted and from the unrest of the period. It is natural that the administration wished to make an entirely new start. It is not improbable that the new trend of politics also helped towards the rejection of texts which bore the impress of the democratic, if not socialist, influences which were dominant between 1920 and 1922.

IV. What are the spirit and method of the new proposals? They undoubtedly represent a remarkable effort to co-ordinate tax questions into a coherent and logical whole; they give evidence of the dialectic dexterity and sublety of Secretary of State Popitz, but they have the characteristics common to all German laws; the use of a special terminology which is often obscure; numerous classifications and sub-classifications; an abundance of exceptions and of particular cases (left in other countries for interpretation by the administration).

The main lines of the proposals are clearly set forth in the explanatory memorandum: the Government has endeavoured:-

a) to facilitate the task of both administration and tax payers:

b) to relieve and favour production;

c) to encourage the reconstitution of capital.

We thus find provisions calculated to adapt assessment and collection to the conditions of economic life, but also and more particularly reductions in the rate of taxation which are much more marked in the higher than in the lower gradings.

Without analysing the proposals again (see Doc 66) we should like to point out their essential points and to shew the practical results by means of examples. (The proposals with regard to the transition regime have already been considered above.)

V. Proposed method of valuation of capital.

The object of the proposal is -

a) to ensure a basis of valuation (Einheitswert) which would apply to all the taxes of the Reich, the States and the Communes;

b) to determine the factors which constitute capital. from the point of view of taxation;

c) to form organisations which will establish the general rules for valuation and, in particular, fix the base valuation in each case.

In the past, the Law on the Taxes of the Reich (Reichsabgabenordnung) alone gave the principles of valuation; the new law refers to the Reichsabgabenordnung and explains and modifies it on certain points. By a survival from the imperial regime, under which they themselves established and collected all direct taxes, the States and the Communes continued to assess their taxes according to special regulations and with the help of special organisations (survey service, etc). The present plan is a step nearer centralisation in that it entrusts the Reich with the determination of the basis of valuation, while allowing the communities concerned and the tax payers to play an important part on the Committees responsible for the application of the Law.

Special attention is paid to agriculture. A central committee will establish types of cultivation according to district and will draw up categories under which the district committees will group property liable to the tax.

For the determination of other kinds of capital, three alterations are specially noteworthy:

1) For purely commercial companies, the capital is charged up to the company and is thus deducted from the value of the holdings.

2) For joint stock companies, the share capital is likewise charged up to the company and in such cases the shareholders must enter in their capital account half the value of the shares which they own.

3) Holding companies (Schachtelgesellschaften) which own all or part of the capital of the affiliated companies, may deduct from their capital the amount of their holding, where this amounts to one quarter of the capital of the affiliated company.

VI. Income Tax (Einkommensteuer) proposals.

The main point of the proposals is considerably to reduce the grading of the tax. On the ground that the present grading encourages dishonesty in matters of taxation, lends itself to fraud and consequently destroys itself, the Explanatory Memorandum takes the view of those experts who consider that the rate of one third is the highest charge possible. Instead of a grading up to 60 per cent for income of 500 000 paper marks and over (rate of the 1920 Law), the grading stops at 35 per cent for 582 000 gold marks and over. On the other hand, for the lowest grades, the only benefit granted under the new Law (and this is only granted to wage earners) is a reduction of 2 per cent on the rate of the tax for each child after the fourth who is a minor.(1)

Another important alteration consists in the unification of the tax. Germany has never had the cedulary system practised in England and France, to which a general tax is added. Nevertheless, the tax on revenue from capital (Kapitalertragsteuer) was a tax levied on the dividends and interest paid on transferable securities; it was only deducted from the general tax in the case of old and necessitous tax payers, and then only a small proportion was remitted.

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(1) Since December 1924, the wage exemption limit has already been raised from 600 to 720 mark. per annum.

Now the Tax on Revenue from Capital (Kapitalertragsteuer) is included in the general tax and is deducted from the tax to be collected. This is an important reduction in the case of personal property.

There are two further alterations which are of interest:

The first extends the application of the tax to all property and capital owned by foreigners in Germany. Nevertheless, except in the case of landed property, the tax for foreigners is not graded and the rate is fixed at 10 per cent.

The Explanatory Memorandum explains the doubts felt with regard to the taxing of securities, bank deposits, etc., belonging to foreigners, at a time when Germany has urgent need of foreign credit, Considerations of equality in taxation and the fact that abroad, especially in America, the securities owned by foreigners are taxed, were felt to be stronger than these objections.

By the second alteration, profits from speculation are taxed as income. Under the plan, speculation is regarded as having taken place when the profit has been obtained by purchase or resale within a year in the case of movable property (securities, etc) and two years in the case of real property.

VII. The following examples shew how the charge on the tax payer works out.

A. General Tariff. All incomes, whatever their nature, are taxed at this rate, if they exceed 8 000 marks.

Taxable Income	Tax	Percentage
1 000	40 marks	4 %
2 000	140 "	7
5 000	440 "	8.8
10 000	1 100 "	11
20 000	2 800 "	14
50 000	10 200 "	20.4
100 000	25 300 "	25.3
200 000	60 300 "	30.15
500 000	165 300 "	33.06

On 582 000 marks and over, 33.33 per cent of the income.

B. Workmen and employees. A workman or employee who is -

a) married and the father of two children, will pay -

on an annual wage of	2 000 marks[x]	75.60	3.83 %
	4 000 "	229.60	5.74 %

b) married and the father of four children -

on a wage of	2 000 marks	46.80	2.34 %
	4 000 "	131.20	3.28 %

For a family of 6 or more children, the wage is exempt, but is liable to the general tax if it exceeds 8 000 marks.

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x According to "Wirtschaft und Statistik", 1925, page 132, the average wage of a skilled workman, married, and the father of two children, was, in January 1925, 0,753 per hour, or about 1 800 marks per annum, on an eight hour day.

C. Independent Professions (owners of land or houses, farmers, merchants).

Income	Number of Children	Tax	Percentage
2 000	2	98	4.4
2 000	4	70	3.5
4 000	2	238	5.9
4 000	4	170	4.2
8 000	2	518	6.4
8 000	4	370	4.6

With nine or more children, the tax payer is exempt if his income does not exceed 8 000 marks.

D. Persons with unearned incomes, Owners of transferable securities.

from 0 to 8 000 marks 10 per cent.
without deduction for the minimum required for the necessaries of life or for family -

above 8 000 marks, the general rate, deducted at the source to an amount not exceeding 10 per cent.

VIII. Proposed Corporation Tax (Körperschaftssteuer).

This tax is levied on the income of bodies corporate in the same way that the income tax is levied on that of physical persons.

The new law does not differ very considerably from the legislation at present in force (Law of 8 April 1922). Apart from technical details, the most important

alterations proposed shew the same tendencies as those noted in connection with the income tax.

1) Under the old law, companies were forced to pay 20 per cent on their total net profits and a supplement of 15 per cent on the profits distributed, that is to say, a company with total net profits amounting to 500 000 marks which distributed 300 000 marks would have to pay a tax of 500 000 x 0.20 = 100 000 marks + 300 000 x 0.15 = 45 000 marks, or a total of 145 000 marks. Under the new plan, a uniform tax of 20 per cent would be levied on the net profits, whether these are distributed or not; under the same conditions the company would now pay only 100 000 marks.

On the other hand, the deduction under certain conditions of part of the tax from the individual income tax is abolished - except in the case of small limited liability companies (with a capital of less than 50 000 marks).

2) The present tax of 20 per cent on directors' fees is incorporated in the Corporation Tax, just as the tax on revenue from capital is included in the income tax.

3) The profits of purely commercial companies are of course not subject to this tax, but are liable to income tax. If we compare the amounts due from two tax payers, one drawing his income from a commercial company in which a partner has an equal share and the other likewise sharing the profits of a limited liability company with a partner, we note that in the former case the tax on the two partners rises from 10 per cent for 8 000 marks profit to 33.3 per cent for 588 000 marks and more; in the latter case, the amount

deducted for the tax (Corporation Tax and income tax) rises from 20 per cent for 8 000 marks to 46.7 per cent for 200 000 marks and over.

4) Whereas the legislation at present in force exempts from the tax all public companies and undertakings, it is now proposed to exempt only certain companies indicated by name (Reichsbahn, Reichsbank, etc.) and the State monopolies. Consequently, numerous undertakings, especially those run by the Communes (water, gas, electricity, tramways, etc.) will in future be liable to the tax and will probably have to raise their charges.

Here, therefore, as compared with the legislation at present in force, we note, as in the case of income tax, a reduction of the rate of the tax for the higher gradings and a unified system of collection.

IX. Proposed Tax on Fortunes (Vermögenstsuer).

The proposal follows closely that for the valuation of capital, with regard to the classification of capital and the determination of the taxable value; it follows the proposal relating to the tax on income and the tax on Corporations with regard to the establishment of the person liable to the tax (individual or company). Only one exception is made in the case of purely commercial companies; whereas the Law on Corporations does not deal with them, and their profits are liable to income tax as constituting the private income of the tax payer, the Law on Fortunes places them on the same footing as share companies and taxes their capital, which the individual tax payers have then to deduct from their private capital.

Here, again, it is proposed to reduce the tariff for the higher gradings, without altering the degressive tariff at the bottom; it is fixed at a uniform rate of 5 per thousand for 50 000 marks and over.

X. Proposed Death Duties (Erbschaftssteuer).

Up to the present, the proposals made completely replace the legislation now in force. In the case of Death Duties, the Government merely proposes alterations in the present rates and certain amendments the object of which is to bring the present law into keeping with the new law on valuation. The scale of rates given in the new proposals appears to represent an increase in the tariff hitherto charged (see enclosed table). As a matter of fact, in the great majority of cases, the new rates mean a reduction in the tax. For an already considerably depreciated currency, the 1922 Law applied the maximum tariff for inheritances of a million or more; now, with currency at the gold parity, the maximum tariff only begins at 10 millions.

XI. It is proposed to unite the Tax on Capital and Death Duties under the same heading, thus indicating that in both cases a payment from capital is made. In theory, this is perfectly correct, but, in fact, owing to the lowness of the rate which, if we estimate the present average income from capital at 7½ per cent, represents only a fifteenth or 6.6 per cent of the income, the tax will be a supplement to the Income Tax; moreover, the Explanatory Memorandum acknowledges that this is so. It may, therefore be considered as a surtax on income of from 10 per cent to 5 per cent, according

to the percentage of the capital (between 5 and 10 per cent) constituted by the income.

XII. Proposal relating to the Movement of Capital (kapitalverkehrsteuer).

The only alteration in the existing legislation is a reduction in rates. One of the articles definitively abolishes the legislation on the flight of capital.

XIII. These are the main lines of the proposals at present before Parliament. Very carefully prepared, most probably in agreement with the principal industrial and agricultural associations, they are certain to receive a fairly favourable reception from these associations. This does not apply, however, to the mass of small traders, persons with small fixed incomes and in particular to employees and workmen. The Hansabund (representing commercial undertakings of medium size) has already declared that the new programme is "entirely inadequate" to meet the requirements of commerce. Dr. Kohler, the Finance Minister of Baden, denounces the tendency to free large fortunes as much as possible and to impose as heavy charges as possible on the mass of the people. The General Association of Trade Unions (A.D.G.) and the General Association of Officials (A.D.B.) - both socialistically inclined-- condemn the new plan still more energetically; they recall the remarks contained in the Experts' Plan (page 45) on the burden borne by the rich, of recent years, and point out that once more it is they alone who are freed from taxation, while profits obtained from the inflation are not taxed and the Ruhr industrialists are left in full possession of their profits.

They asked the Government :

a) to raise the exemption limit for wage earners to 1 200 marks per annum (which would involve a loss of 600 millions, according to the Explanatory Memorandum) ;

b) to abolish, or at least to reduce or amend the Turnover Tax (Umsatzsteuer) - (The Government recalls the fact that this tax was one of the first to be reduced and that the rate was reduced from 2.5 to 1.5 per cent; for the moment it is impossible to go further).

Opposition between the two points of view is strengthened still more by the presentation of two further schemes for raising the Taxes on Beer and Tobacco with a view to obtaining fresh resources to the amount of 345 millions. The real point here - and on it the last electoral campaign was based - beneath the theories by which the root of the matter was more or less successfully concealed - is whether, in the years to come, the masses of the people or the wealthy classes are to bear the charges arising out of the Experts' Plan.

In addition to this question of principle, it must be remembered that the budget resources at stake are considerable (according to the returns for the first ten months of the financial year 1924/25, 45 per cent of the total Budget resources are affected), and that the new plan is closely connected with the problem of the financial relations between the Reich and the States, since two of the amended taxes (that on Income and that on Corporations)

represent the greater part of the refunds to the States. Long and heated discussions in the Reichstag are therefore to be expected (especially on the Committees where, more in Germany even than elsewhere, all the real work is done - the work of the Committees is rarely altered by the public debate); the last important alteration in the system of taxation in 1922 was discussed for six months. Between the camps of the Right and Left, the Catholic Centre which is, especially at present, the arbiter of the parliamentary situation, will play its usual part of intermediary, and the tax laws finally voted will probably contain concessions to the requirements of the tax paying public, which will be prejudicial to the yield of the taxes.

In conclusion, it should be noted that the Government has not estimated the effect of the proposed alterations on the tax returns. In view of the fact that the present position is without precedent and that no point of comparison exists, it was impossible to act otherwise, but it may consequently be necessary later to alter the rates suggested, so as to adapt them to budget requirements.

(Signed) L. GAILLET BILLOTTEAU.

From the French
Translated - BWS
Checked - NL.

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Transfer Committee

ECONOMIC SERVICE.

NEW TAX PROGRAMME.

TAX.	Levied on	Nature of the proposed tax.	Present rates.
I. Einkommensteuer (Income Tax)	All earned & unearned income of physical persons. 8 categories:- 1) income from agriculture. 2) income from trade & commerce 3) income from liberal professions. 4) wages, salaries & pensions. 5) income from movable property. 6) income from real estate (including land) 7) income from annuities 8) additional income from sale transactions and speculation.	Tax progressively graded. Combination of cedulary and global tax. Collected at the source on 4) (partly) and on 5). Other sources of income assessed by means of a controlled declaration. Anticipatory quarterly payments.	1) 1/1000 of capital 2) 2/100 of turnover, minus wages and salaries. For a great part of retail trade this rate has been considerably reduced by means of decress. 3) 10/100 on the first 2 000 Marks 20/100 above, deduction (from the base) of professional expenditure. 4) same rates as 3, deduction of 50 M. per month (as from 24 Dec. 60 marks) Reduction of 1 per cent for the wife and each child who is a minor. 5) 6) and 7) - Same rate as 3). 8) Not fixed.

New taxes proposed.	Observations.
) General rate. (Income below 900 M. is exempt).	Further, it is provided that the tax may be calculated on expenditure if this is obviously larger than the income, on condition that the expenditure is 50 per cent greater than the income and totals more than 8 000 marks.
a) up to 8 000 marks (600 marks are deducted and the rate reduced by 1 per cent for the wife and each child under 17 years of age) ..... 10% b) from 8 000 to 16 000 marks ..... 15% c) from 16 000 to 24 000 " ..... 20% d) from 24 000 to 48 000 " ..... 25% e) from 48 000 to 100 000 " ..... 30% f) above 35%	
The rate must never exceed 33.3% of the taxable income.	
) Deduction at the source from wages.	The following are deducted from income:-
0 per cent of the wage (720 marks per annum are deducted). Rate reduced by 1 per cent for the wife and each child who is a minor, and by 2 per cent after the fourth child.	1) Professional expenses, direct taxes other than income tax, debts and other charges (Werbungskosten).
If the taxpayer has a wage of more than 8 000 marks he must make a statement of income and be taxed at the general rate, allowance being made for the deduction at source.	2) To an amount not exceeding 400 marks per annum, charges for social insurance, mutual benefit societies, life insurance, &c.
) Deduction at the source on income from securities.	3) Contributions to religious objects.
0 per cent on the income. The taxpayer is taxed at the general rate, allowance being made for the deduction at source; if his income is more than 000 marks.	

T A X.	Levied on	Nature of the proposed tax.	Present rates.
II. Körperschafts-steuer. (Corporation Tax).	All the income of bodies corporate.	Proportional and degressive tax for limited liability companies whose capital is small. Collected on the basis of a controlled declaration, after the close of the financial year. Anticipatory quarterly payments.	2 per cent of the business receipts (reduced to 1 1/2 per cent as from Dec.1924), wages and salaries being deducted. The annual payment must not be less than 6 per thousand of the assets of the company as on 31 December 1923, or 12 per thousand (reduced to 9 per thousand) of the assets of the company as on 31 December 1923).
III. Vermögensteuer. (Tax on Fortunes)	The fortune of physical persons and bodies corporate.	Proportional tax with degressive basis, assessed by means of a controlled declaration.	Progressive tax: 5 000 M. exempt (20 000 marks for taxpayers who are over 60 years of age and for necessitous persons whose fortune consists in transferable securities or house property); 9 000 M. to 25 000 3 per thousand on the whole; 25 000 to 50 000 4 per thousand on the whole 50 000 " 100 000 5 " " " " 100000 " 500 000 6 " " " " 500000 " 2 mill. 6.5 " " " " 2 mill." 5 " 7 " " " " above 5 mill. 7.5 " " " "

New taxes proposed.	Observations.
1) General rate for industrial Companies. 20 per cent of the income (total profit, whether distributed or not). 2) Limited liability companies whose assets do not exceed 50 000 marks. up to 8 000 marks — 10 per cent from 8 000 to 16 000 — 15 " " from 16 000 to 24 000 — 20 " " above, — 25 " " The total tax must not exceed 20% 3) Mortgage and Cooperative Companies, foreign and other companies, 10 per cent of the income. Public undertakings are liable to the tax, with certain exceptions, (Reichsbahn, Reichsbank, etc.).	No deduction from income tax in respect of this tax is allowed, except in the case of limited liability companies, if a taxpayer with an income of less than 25 000 marks draws less than 8 000 marks from the company.
Tax with degressive basis. General exemption:- 5 000 marks (raised to 10 000 marks for taxpayers whose income does not exceed 3 000 marks, with an extra income allowance of 1 000 marks for the wife and each child who is a minor, up to 6 000 marks, and to 20 000 marks for tax-payers who are over 60 years of age or are unable to work, and whose income does not exceed 5 000 marks). Rate 5 per thousand, reduced to 3 per thousand for fortunes not exceeding 25 000 marks, and to 4 per thousand for those not exceeding 50 000 marks. Public undertakings are exempt.	

T A X.	Levied on	Nature of the proposed tax.	Present rates.
IV. Erbschaftssteuer (Death Duties)	Inheritances, legacies, and donations of various kinds.	Progressive tax:- 1) according to the degree of relationship: 2) according to the amount of the fortune.	5 categories, according to the degree of relationship: Class 1, (wife and children) from 2 per cent to 10 per cent from 1 million; Class 2, (grandchildren), from 4 per cent to 20 per cent from 1 million; Class 3, (parents and brothers) from 6 per cent to 30 per cent from 1 million. Class 4, (grandparents and relations four times removed) from 8 per cent to 40 per cent from 1 million. Class 5, Other relations and strangers, from 10 per cent to 70 per cent from 1 million. The surviving husband or wife is only liable to the tax in certain cases.

New taxes proposed.	Observations.
ne categories:	
ass 1 rom 2% to 15%, above 10 millions	The cases of exemption for a surviving husband or wife are reduced.
ass 2 rom 4% to 25%, above 10 millions	
ass 3 rom 6% to 40%, above 10 millions	
ass 4 rom 8% to 50%, above 10 millions	
ass 5 rom 10% to 60%, above 10 millions	
1 million: Class 1, 9.5 per cent ass 2, 19 per cent; ass 3, 28.5 per cent; ass 4, 38 per cent; ass 5, 44 per cent.	

TAX.	Levied on	Nature of the proposed tax.	Present rates.
V. Kapitalverkehr-steuer. (Tax on the movement of Capital).	Various taxes on the constitution and fusion of companies, transferable securities, Bourse transactions, etc.	Collected on the occasion of the operation liable to the tax, according to a fixed percentage.	1) Constitution of share companies 5 per cent of the capital. 2) Fusion of companies, 2 1/2 per cent of the capital. 3) Issue of Bonds, 3 per cent of the capital. Issue of private foreign securities, 5 per cent of the capital. 4) Bourse transactions a) with clients 0.6 per cent of the capital; b) between bankers 0.2 per cent of the capital.
VI. Grunderwerbsteuer (Land Purchase Tax).	Tax on transactions relating to real estate built upon or otherwise.	Tax in proportion to the market value, collected on the occasion of the transfer.	4 per cent.
VII. Wechselsteuer (Tax on commercial bills).	Bills of exchange	Proportional tax calculated according to the date of maturity.	Less than 3 months, 0.20 per cent More than 3 " 0.40 " " More than a year 0.60 " "

New taxes proposed.	Observations.
Constitution of companies 4 per cent	
) Fusion of companies 2 per cent	
) Issue of industrial debentures 2 per cent	
Issue of private foreign securities, 4 per cent	Transactions between private individuals are liable to the same rates. The 50 per cent reduction for foreign transactions is re-established.
) Bourse transactions a) with clients 0.3 per cent b) between bankers 0.1 per cent	
3 per cent.	
ss than 3 months, 0.10 per cent ore than 3 " 0.20 " " ore than a year, 0.30 " "	

I.I.9.331. Doc.68

BERLIN, 19 March 1925

TRANSFER COMMITTEE

ECONOMIC SERVICE.

THE MOVEMENT OF FUNDS AT THE REICHSHAUPTKASSE.

DURING THE MONTH OF FEBRUARY 1925.

(See Document 55).

The Deutscher Reichsanzeiger publishes a tabular statement showing the movement of funds at the Reichshauptkasse during the month of February 1925.

The situation for February is as follows:-

Receipts	693.9 million RM.
Payments	583.3 " "
Surplus receipts	110.6 million RM.

The total surplus of receipts over payments since the beginning of the financial year amounts to 655.4 million RM.

1. Receipts. The figure for receipts during the month of February includes :-

A. For tax receipts:-

a) the figures of the receipts from taxation for the month	648.1 million RM.	
Less receipts from assigned revenues for this month, not yet utilised at the Reichshauptkasse	- 137.6 "	
	510.5	510.5
b) the receipts from assigned revenues for the month of January repaid to the Reichshauptkasse in February		+ 160.1
	Receipts from taxation	670.6
B. For administrative receipts:- The figures of the administrative receipts for the month		23.3
	Total Receipts	693.9

2. Payments. The figure for payments is made up as follows:-

a) General administrative expenditure (including expenditure in connection with the execution of the Peace Treaty)	287.9
b) Transfers of tax returns to the States and Communes	260.3
c) Payments on account of Reparations	35.1
Total Payments	583.3

From the official document it appears that the payments effected by the Agent General during the period from 21 January to 20 February 1925 , upon the sums advanced by the German Government in respect of the first annuity, amount to 40.9 million RM.

These payments (which represent a reduction in expenditure) figure under the following items:-

General administrative expenditure of the Reich	- 19.6 million RM.
Payments on account of Reparations	- 21.3 " "
Total	- 40.9 million RM.

The following table shows the monthly amount of receipts and payments at the Reichshauptkasse since the beginning of the financial year (1).

(1) See Note 1, page 2, Document No.55.

RECEIPTS AND PAYMENTS OF THE REICHSHAUPTKASSE
(in millions of Reichsmarks)

R E C E I P T S

		Receipts from Taxation.	Administrative Receipts.	Total.
1924	April.....	523.8	55.7	579.5
	May.....	518.7	48.0	566.7
	June.....	472.3	57.4	529.6
	July.....	583.1	39.1	622.2
	August.....	592.0	26.2	618.3
	September.....	609.2	56.4	665.6
	October.....	686.7	27.6	714.3
	November.....	541.6	27.3	568.9
	December.....	619.3	70.8	690.1
1925	January.....	755.0	23.1	778.1
	February.....	670.6	23.3	693.9
	TOTAL....6	572.4	454.8	7 027.2

P A Y M E N T S .

		General Administration.	Repurchase of Gold Loan	Transfers to States and Communes	Payments on account of Reparations	Total
24	April (1)	338.6	76.0	184.9	-	599.5
	May (1)	245.0	121.1	214.2	-	580.2
	June (1)	324.9	26.6	179.6	-	531.1
	July (1)	336.9	5.1	198.4	-	540.4
	August	300.9	0.9	243.2	53.6	598.7
	September	294.1	1.1	190.-	97.4	582.6
	October	386.4	-	230.6	76.0	693.1
	November	247.2	-	242.7	69.0	558.9
	December	302.1	-	234.0	- 54.2	481.9
25	January	295.8	-	199.8	126.4	622.0
	February	287.9	-	260.3	35.1	583.3
	Total.....	3 310.2	230.8	2 377.7	453.1	6 371.8

1) For the period April to July a lump sum for expenditure amounting to 49.8 million RM. incurred in respect of "Payments on account of Reparations", the exact monthly quantities of which are not known, has been entered under the column of General Administrative Expenditure.

The actual figures for expenditure have been added together in the totals of each column.

As a result the individual figures given in the column for General Administrative Expenditure show a difference of + 49.8 millions as compared with the total given, and the addition of the monthly expenditure under "Payments on account of Reparations" a difference of - 49.8 million RM as compared with the total given for this item of expenditure.

SURPLUS (+) or DEFICIT (-)

1924	April	-	20
	May.....	-	13.5
	June.....	-	1.5
	July.....	+	81.8
	August.....	+	19.6
	September.....	+	83.
	October.....	+	21.2
	November.....	+	10.0
	December.....	+	208.1
1925	January.....	+	156.1
	February.....	+	110.6
	Total.....	+	655.4

MOVEMENT OF FUNDS AT THE REICHSHAUPTKASSE in February 1925.

	February 1925 RM.	April 1924 to February 1925. RM.
I. Receipts.		
(a) General Finance Administration (Taxes, Customs, duties, dues) without the assigned revenues from Customs duties and taxes for February 1925.....	670 648 229	6 499 349 362
(b) Other receipts.....	23 295 085	454 798 628
Total receipts ...	693 943 314	6 954 147 990
II Payments.		
(a) General Administration of the Reich including expenses in connection with the execution of the Peace Treaty.....	287 949 213	3 467 929 668
(b) Transfers to the States and Communes from the proceeds from taxation.....	260 252 255	2 377 687 462
(c) Payments on account of Reparations.....	35 125 481	453 126 038
Total Payments..	583 326 949	6 298 743 168
Leaving an excess of receipts over payments of.....	110 616 365	655 404 822
III Position of the Floating Debt at 28 February 1925.		
	RM.	
1. Liabilities on account of Treasury Bonds.....	18 631 200.	
2. Security for Treasury Bonds.	104 019 231	
3. Issue of Treasury Bonds in Reichsmarks.....	35 000 000	
TOTAL.....	157 650 431	

R E M A R K S .

I. The total revenue received from taxes and Customs duties amounted in February 1925 to approximately 648.1 million RM.

Of this total the assigned revenues have not been transferred to the Reichshauptkasse, approx..... 137.6 " "

There remains therefore..... 510.5 million RM.

To this must be added the amounts reimbursed by the Commissioner for Controlled Revenues in February 1925, on account of the month of January 1925.....approx. 160.1 " "

The Receipts therefore amount to approximately 670.6 million RM.

In the statement for February account has been taken of the sums reimbursed by the Agent General for Reparation Payments during the period from 21 January to 20 February , amounting approximately to 40.9 million RM, which have been paid by the Reich during this period by way of advances to be credited against the first annuity. Of this amount, approximately 19.6 millions have been deducted from the expenditure for the General Administration of the Reich, and approximately 21.3 millions from the payments on account of Reparations.

The month of February comprises 24 working days. The daily average of receipts therefore amounts to roughly 28.9 , that of the payments roughly to 24.3 million RM.

The total surplus of receipts over payments for February amounts to approximately 110.6 million R.M.

From the French
Translated - BWS
Checked - NL.
AA FMC.

I.I.9.301. DOC. 69.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 20, 1925.

N O T E

ON THE SCHEME FOR A FINANCIAL SETTLEMENT BETWEEN THE REICH, THE STATES AND THE COMMUNES

(Finanzausgleichsgesetz)

(See also Doc.24)

S U M M A R Y.

I. Introduction.

II. Present terms of the Settlement.

III. Settlement proposed as from 1 April 1925: procedure to be followed during transition period.

IV. Definitive procedure as from 1 April 1926.

V. Collection and Accountancy.

VI. Basis for the levying of "supplements".

VII. Income not liable to "supplementary" taxation.

VIII. New regulations for the Tax on Rents (Geldentwertungsausgleich).

IX. Financial results of the scheme.

X. Valuation of the resources and financial requirements of the States and Communes.

XI. Reception given to the scheme.

XII. Conclusion.

I.I.9. 301. DOC.69.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 20, 1925.

N O T E

ON THE SCHEME FOR A FINANCIAL SETTLEMENT BETWEEN THE REICH, THE STATES AND THE COMMUNES. (Finanzausgleichsgesetz).

I. According to the terms of the Law of 23 June 1923 (Landessteuergesetz XI), the present provisions governing the financial relations between the Reich, the States and the Communes will lapse on 1 April 1925. In order to arrive at an agreement upon the new principles to be adopted, a conference of the Finance Ministers was held in Berlin on 4 February 1925. Herr von Schlieben, the Finance Minister of the Reich, explained the general lines of the scheme which had been prepared by his departments; the Finance Ministers of the States declared this scheme to be unacceptable, and the matter was referred to a Committee of the Reichsrat for a compromise. Nothing has since been heard of this Committee. On 2 March the Government submitted a final scheme to the Reichsrat. This scheme, which we will analyse, was not approved by the States, who persist in their opposition.

II. Present terms of the Settlement.

At the present time, and since the Third Emergency

Tax Decree of 14 February 1924 (Dritte Steuernotverordnung) the States and the Communes (through the intermediary of the States) receive from the Reich:

1) 90 per cent of the Income Tax;

2) 90 per cent of the Corporations Tax;

3) 20 per cent of the Turnover Tax;

4) 96 per cent of the Tax on Real Estate transactions (half of which has to be transferred to the Communes);

5) 96 per cent of the Race Betting Tax;

6) 96 per cent of the Automobile Tax;*

As a matter of fact, the three last-mentioned taxes are taxes levied by the Reich for the account of the States, the Reich retaining 4 per cent to meet the costs of assessment and collection.

The sums transferred are distributed amongst the States generally according to the amount of the taxes derived from their territory: in certain cases (Race betting and automobiles), the total amount of the population is taken into account. The States regulate the distribution amongst the Communes, unless it is decreed otherwise.

During the first ten months of the financial year (April to January) the sums thus transferred and distributed amounted to ℳ 117 millions, or approximately 2 500 for the whole financial year.

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* In addition, they receive the whole of the Bourse Tax (Right of access to the Bourse), which was suppressed by the Decree of 9 December 1924.

III. Settlement proposed as from 1 April 1925.

No modifications in regard to the taxes on real estate transactions, Racing and Automobiles. In the case of the Taxes on Income, Corporations and Turnover, the scheme provides:

1) transitional procedure for the financial year 1925/26,

2) definitive procedure as from 1 April 1926.

A. Procedure during transition period. Financial year 1925-26.

The States will receive during the financial year 1925/26:

75 per cent of the Income Tax;
75 per cent of the Corporations Tax;
30 per cent of the Turnover Tax.

The distribution between the States, and the transfers will be effected in accordance with the regulations hitherto in force, taking into account the transitional procedure which it is intended to introduce for the collection of the taxes during the financial year under discussion (see Doc. No. 66 and 67).

IV. B. Definitive procedure as from 1 April 1926.

From this date, the Government proposes to introduse radical changes in the:

a) method of collecting the taxes;

b) method of booking and transferring the tax proceeds.

a) The Reich will levy for its own account 25 per cent of the rate fixed by law; this 25 per cent represents its quota.

The States and Communes will have the right, each for its own account, to levy "supplements" (Zuschläge) to the principal tax levied for the account of the Reich. These "supplements" which correspond to the departmental and communal "additional centimes" added in France to the old direct taxes, must be fixed in hundreds divisible by ten (that is to say 10, 50, 100 etc. per cent of the tax levied by the Reich). The States and Communes (subject to the approval of the States, which is optional as a general rule, and obligatory if the "supplement" fixed by the Communes is in excess of the sum total of the tax by the Reich and the State "supplement") are not restricted in regard to the fixing of the "supplements". In principle, the tax levied by the Reich augmented by the "supplements" for the States and the Communes, can therefore amount to a figure below that of the rate as fixed by law. In practice, this rate will be a minimum rate, the more so as the scheme provides (§10.2) that if a State or a Commune does not fix the "supplement" that it intends to levy, the tax will be collected on the basis of the rate fixed by law, and the 75 per cent in excess of the quota of the Reich will be assigned half to the State and half to the Communes interested. On the other hand, the "supplements" for the States and the Communes might exceed

300 per cent, a percentage which added to the Tax of the Reich represents the rate of the tax fixed by law (25 per cent for the Reich, and 75 per cent - or 300 per cent of 25 per cent - for the States and Communes).

V. b) Collection and accountancy. At the present time the quotas of the States are transferred by the Reichshauptkasse to the account of the States; under the new scheme, the quotas of the States and the Communes, the percentages of which will vary, will be entered by the collecting offices (Finanzämter) in a special account, in which the sums received will be credited, and the sums transferred debited to the States and Communes each month; the accounts are closed and settled in six months at the latest.

VI. Basis for the levying of "supplements". The basis for the levying of the quotas of the States and the Communes is, generally, that of territory, that is to say the "supplement" for a State or a Commune is levied on that part of the tax which was assessed on the territory of the State or Commune levying it (real estate, commercial income, wages and salaries), and transferred to the community of which the said territory forms a part.

The law regulates the procedure for applying these principles and the many cases raised by them. With regard to the levy on wages and salaries for example, the Commune competent to levy the tax is the Commune where the

wage-earner exercises his profession, subject to a compensation to be paid to the Commune in which he resides. In the case of income derived from several Communes, the Commune of residence is generally entitled to at least one quarter of the amount, the other Communes sharing the balance in proportion to the income derived from their territories (for income below 8,000 or 4,000 marks, as the case may be, no apportionment). Apportionment between several States is likewise provided for, as well as the procedure to be followed in case of disagreement.

VII. Income not liable to "supplementary" taxation.

It follows from the regulation in regard to territorial competency that the local "supplements" cannot be applied to certain classes of income, as for example (§ 5):

a) the collection of 10 per cent on the interest from personal estate;

b) the taxes levied on officials living abroad, or on persons not resident in Germany, when this income is not derived from landed property, buildings or industry.

In these cases, the tax is levied in its entirety for the account of the Reich and the 75 per cent due to the States and Communes will be distributed in accordance with the regulations at present in force (§ 41).

Such are the essential lines of the new scheme. It is strangely enough more complicated than the present system and necessitates many detailed provisions, enumerated in the scheme, more especially in regard to the

transition from the old to the new régime. This however is a technical matter, with which the present Report is not concerned.

VIII. New regulations for the Tax on Rents (Geldentwertungsausgleich).

The scheme is completed by provisions concerning the Tax on Rents (Hauszinssteuer). These provisions are intended to increase the amounts which the States and the Communes derive from this Tax. The present system may be summarised as follows :

In principle, rents are to be brought up by degrees to the pre-war rates, but the landlord is to suffer the consequences of devalorisation. As a result, the difference between the rate of interest resulting from devalorisation and cost of upkeep, and the legal rent fixed, must return in part of the States and Communes by means of a tax (Mietsteuer); this tax must not fall below 20 per cent of the legal rent.

The new provisions may be summarised in the following manner:

1) the tax affects industrial realty; the States may extend it to agricultural realty;

2) the legal rent must reach 100 per cent of the pre-war rent by 1 April 1926;

3) in the case of realty which in 1914 was not mortgaged for more than 20 per cent, the tax must not exceed 20 per cent of the pre-war rent;

4) the portion of the tax intended to subsidise new constructional works must amount to at least 10 per cent of the proceeds, but not exceed 10 per cent of the pre-war rent.

IX. Financial results of the scheme.

Whilst the new proposals with regard to the Income and Corporations Taxes do not contain any reference to the receipts anticipated from the taxes on a new basis, our explanations below give an idea although rather a restricted one.

The following table gives, for all the taxes in the proceeds of which the States and Communes participate, the valuation of the total returns and the quota falling to the States and the Communes according to the scheme during the transition period 1925/26.

Taxes on	Total proceeds	Percentage of States and Communes	Quota of States and Communes
1) Income 2) Corporations	2 000	75 per cent	1 500
3) Turnover	1 500	30 " "	450
4) Real Estate transactions	156	96 " "	150
5) Race Betting	40	96 " "	38.4
6) Automobiles	60	96 " "	57.6
	3 756		2 196

As from 1926, the quotas of the States and the Communes are to be reduced to 2,046 millions as a result of the reduction from 30 to 20 per cent of their share in the Turnover Tax, but the normal increase in the tax returns and especially the liberty allowed to the States and Communes, from this year onwards to levy "supplements" in excess of the legal rate, must not be overlooked.

X. Valuation of the resources and financial requirements of the States and Communes.

The Government is of opinion that this quota will be sufficient to cover the financial requirements of the interested communities. It bases its opinion on the following calculations:

In 1914, calculated on the territory as existing at present:

the financial requirements of the States amounted to 1,600

" " " " " Communes " " 2,000

Allowing in 1925 for an increase in the requirements of the States of 45 per cent (32 per cent in 1924) and of the Communes of 50 per cent (36.7 per cent in 1924, being the average of 51 Prussian towns) the following figure is arrived at :

for the States	2,320
for the Communes	3,000
	5,320

From their own resources, including the proceeds which they should receive from the Tax on Rents, they

ought to obtain :

1) Land Tax (Grundsteuer)	770
2) Tax on the exercise of commercial professions (Gewerbesteuer)	475
3) Tax on Rents *	1 000
4) Other taxes (increase in value of personal property, beverages, amusements, peddling, etc.)	227
5) Surpluses of industrial undertakings:	
a) States	232
b) Communes	420
	3 124
If the quota from the Reich taxes is added (see VIII)	2 196
a total is reached of -	5 320

which covers the requirements as calculated above.

During the negotiations which took place in February, the Reich only considered a deduction of 1,875 millions from the Reich taxes and was of the opinion that the States and the Communes could raise about 3,650 millions on their own account. The present scheme, therefore, represents a substantial concession. The increases, as compared with 1914 (45 per cent and 50 per cent) are generously calculated. On the one hand the Reich does exercise the functions which in 1914 devolved upon the States, for example the administration of finances, and grants them subsidies which were non-existent formerly (for example 100 millions for police); on the other hand

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* To the 1,000 millions which fall to the States and the Communes are to be added 400 millions devoted to new constructional work.

the devalorisation of money, by almost completely extinguishing the debt of the Communes, had very considerably relieved their financial position.

XI. Reception given to the scheme.

The scheme thus modified was nevertheless far from being acceptable to the interested parties. Although the Press of the large towns was generally favourably disposed towards it, the industrial groups and the Chambers of Commerce (see declarations of the Union of the Prussian Chambers of Commerce, the Union of Saxon Industrialists, the Hansabund) objected more especially to the authority given to the States and the Communes to levy "supplements" to the Reich taxes, and generally to any weakening of the authority of the Reich in matters of finance; these circles fear that the Communes may pursue too generous a financial policy to the detriment of commerce and trade. *

On the other hand, the States (and also the Communes) continue to insist upon a much larger share of the Reich taxes. Whether democratic in their tendency as in Prussia or in Saxony, or conservative as in Bavaria, they are equally categorical in their opposition to the scheme. If the majority of the States, with Bavaria at the head, in a reawakening of the Particularist spirit,

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* The scheme takes these fears into account by requiring that the "supplements" are levied equally on all classes of tax payers; if the trader is surtaxed, those in receipt of salaries and wages will be surtaxed also.

which threatens one of the principal victories of the Constitution of Weimar, call for a return to a direct administration of taxes by the States, all the States are demanding that, if the Reich continues to collect the Taxes on Income and on Corporations, the entire proceeds of these two taxes shall be transferred to them, after deduction of the costs of collection; the minimum they call for is the continuation of the present system. Even Herr Marx, the former Chancellor of the Reich, during whose term of office the main lines of the present scheme were established, declared later as President of the Prussian Diet on 18 February 1925 that "the scheme was a menace to the finances of the States".

As regards expenditure, the States, or at least Prussia, accept the valuations of the Reich, but they state that their own taxes are far from being able to bring in the sums expected by the Reich; in Prussia the proceeds from the Land Tax only amount to 100 millions instead of 500 millions; the Tax on Rents in particular cannot bring in anything even approaching the figure given, as rents cannot be brought up to the pre-war rate within the time limits fixed, and the position of the landlords requires careful treatment, etc. Finally, the States assume that they are entitled to the transfers due to them this year, and which it would appear cannot be less than 2,500 millions; according to them, the financial position of the Reich should allow of the quota allotted

to them being kept at this level.

It is therefore very probable that the Reichsrat, which is precisely the representative body of the States, will subject the scheme to a very critical examination, and will only vote for it in a form greatly modified in favour of the States and the Communes. The possibility of a struggle between the Reichsrat and the Reichstag, less susceptible to Particularist views, has already been faced. The matter will probably not go as far as that, but be settled by compromise. As time is too short for the voting of the bill between now and 1 April, the Reichsrat has already adopted a provisional law prolonging to October 1 the present arrangement, which is all to the advantage of the States.

XII. Conclusion.

The Experts' Report (page 47 and following) points out the necessity of the radical reform of the system of the contributions made by the Reich to the States. A first and very timid attempt was made in the Third Emergency Tax Decree (Dritte Steuernotverordnung) which limited this contribution to a fixed percentage of the proceeds of certain sources of income, but this was done at the cost of an almost total abandonment of the Taxes on Income and Corporations. In 1924, the Reich was so generous in its distribution of funds that it was generally admitted that the States, and more especially the Communes had not

made any efforts to economise; on the contrary, the Finance Minister of the Reich had been able to state, without any contradiction, that "many of the Communes were managing their affairs in a manner which was not compatible with the general financial and economic situation".

The aim of the present scheme is to give to the Reich a larger proportion of these taxes. On the other hand, it attempts to develop a sense of financial responsibility - and hence of economy - in the States and the Communes, by making the amount of the "supplements" collected in their favour depend on a vote, for which they will have to account. The quota allowed to the associates of the Reich is large, seeing that it represents more than one-third of the probable receipts collected by the Reich. Three-quarters of two of the most productive direct taxes are lost to the Reich; the third tax, that on Turnover, of which the Reich has given up one-fifth, and which is criticised on all sides, will very probably be reduced shortly.

If the Reich has occasion to go still further, the budget of the two years to come will perhaps not be irremediably compromised, but the latent reserves which the Reich requires to meet gradually the budget charges under the Experts' Plan, if there is to be no increase in taxation, will be absorbed in advance. The Reich will find itself

obliged to procure fresh sources of income. We shall find ourselves once again confronted by the paradox of the Reich compelled to meet all Germany's foreign charges but nevertheless with impaired authority in taxation matters, whilst the States and the Communes, with only current administrative expenditure to meet, will benefit by the major part of the surplus amounts which may result from the rising prosperity of German trade.

If, to the demands of the States and Communes, be added the increasingly urgent calls for a revalorisation of the public debts, it will be understood that the coming debates will decide the future of the Reich finances, and that the balancing of the budget, when it will have to meet its share in the annuities of the Plan, will depend upon the energy shown by the Reich in defending its interests, which are also the interests of Germany's creditors.

(Signed) L. GAILLET BILLOTTEAU.

From the French. Translated - CFH. Checked - NL.

MdeJB.

I.I.9. 222. Document 70.

Berlin, 21 March 1925.

TRANSFER COMMITTEE.

ECONOMIC SERVICE.

THE PAYMENT OF REPARATIONS AND GERMAN ECONOMY.

Bulletin No.4 of the Disconto-Gesellschaft, Berlin, the Norddeutsche Bank, Hamburg, and the Schaffhausenscher Bankverein, Cologne, issued on 28 February 1925, devotes an article which we reproduce below to the influence of reparation payments on German economy.

The Agent General for Reparation Payments has just published a statement of his income and expenditure as at 31 January 1925. From these figures it is possible to form an idea of the development to date of the system of reparation payments as laid down in the Experts' Plan. The balance sheet of the first five months of the first year (1 September 1924 to 31 January 1925) balances with a total sum of 395 million gold marks. Apart from a very small part of this amount, the receipts are derived - in accordance with the Dawes Plan - from the proceeds of the German Reparations Loan of 1924. As everybody knows, the liabilities of the first year will be met to the extent of four-fifths from the proceeds of this Loan.

Of the total amount of 395 million gold marks, 13 millions had not been distributed by 31 January 1925, but stood as a cash asset of the account of the Agent General with the Reichsbank. The remaining 382 million gold marks were distributed

in the following manner:-

France.....	161	million	gold	marks
England.....	85	"	"	"
Belgium.....	30	"	"	"
Italy.....	33	"	"	"
Jugo-Slavia.....	12	"	"	"
Roumania.....		"	"	"
Portugal.....	7	"	"	"
Japan.....		"	"	"
Greece.....		"	"	"

A further 22 million gold marks had to be employed for the Service of the Reparation Loan of 1924, which the provisions of the Experts' Plan require also to be covered out of the annuity. The remainder has been expended by the Reparation Commission and the Control Commissions, and for various other purposes. The fact that the administrative costs of the Offices for Reparation Payments alone amounted approximately to 300 000 marks in January 1925, is worthy of note.

The manner in which the reparations monies are distributed amongst the various countries is naturally of little interest to Germany. On the other hand the question of the form in which these payments are effected is of the utmost importance to Germany from an economic point of view. If the above figures are analysed from this point of view, the following distribution is arrived at:-

A. Payments effected in German currency:-

Coal, coke and lignite.....	103	million	GM.
Dye-stuffs, chemicals, manures.....	23	"	"
Other deliveries in kind.....	20	"	"
Cost of transport of coal and by-products.....	36	"	"
Costs of occupation and requisitions. Cost of the Interallied Commissions..	107	"	"
	289	million	GM.

B. Payments effected in foreign currencies:-

26 per cent of German imports into England and France.....	71	million GM.
Service of the External Loan.....	22	" "
	93	million GM.

From this it can be seen that 75 per cent of the total amount paid during the first five months, was effected in the form of deliveries in kind, together with the transport of the said deliveries and the costs for occupation and control, which the German Government was able to finance in the currency of the Reich. The problem of transfer, which is tending to become more and more the central point of all reparation difficulties, has thus until now scarcely played any practical part at all. Only when the annual liabilities increase, and deliveries in kind and occupation costs no longer absorb such a large amount of the annuity, will this be changed. If the period of five months under discussson, is taken as an average, approximately 700 million gold marks would be absorbed each year for deliveries in kind and occupation costs. As from the normal year 1928/29 onwards, the problem to be solved would be how, with a total annual payment of 2.5 milliard GM, to effect the conversion each year of the enormous sum of 1.8 milliard GM into foreign currencies. At first sight, the best course would seem to be, to reduce this figure if possible by increasing the deliveries in kind. In this connection, however, it must not be overlooked that the financial effects of deliveries in kind do not really differ from the effects of cash payments, and in any case such deliveries cannot indefinitely exceed the surplus of German supply over demand available for export without endangering the currency. Furthermore, the Experts' Report itself comes to the very just conclusion that deliveries in

kind may very easily prove dangerous, unless they are restricted to Germany's "natural" products, such as coal or dye-stuffs, or articles, the manufacture of which does not entail the import into Germany of raw materials representing a high percentage of their value.

From this, it must at least be concluded that only those finishing industries are to be entrusted with the delivery of reparation goods, in whose products - so far as foreign raw materials cannot be dispensed with - the value of the German finishing work forms by far the greater part of the total value. This condition may be considered to be fulfilled in the case of the large orders for railway trucks, etc., recently placed by France, and charged to the Agent General for Reparation Payments. These orders are of the greatest importance for the employment of our coach-building industry which comprises more than 100 factories. The great number of coach-building works, which have more than doubled since pre-war days, have the greatest difficulty in finding orders for their extended and improved factories. The position is rendered more especially difficult by the fact that the German Reichsbahn which used to supply the coach-building works with about 80 per cent of their requirements in orders at reasonable prices, has not passed any orders worth mentioning for the past year and a half. The withdrawal of such a customer naturally implies a very heavy loss to the industry which had been built up on the strength of the orders received from that customer and it has not yet been possible to make

good this loss by increased export. As compared with pre-war figures, the export of railway trucks, etc., has in fact fallen off considerably. In 1923 it amounted to 33.3 million gold marks, and in 1924 it amounted to 17.8 million gold marks. The coach-building industry itself emphasises the fact that the acceptance of important foreign orders is often rendered impossible owing to the difficulty of financing them. Foreign customers make the granting of credits conditional upon extraordinary terms to which the German factories are unable to agree owing to the shortage of capital. The difficult position of the German coach-building industry has been described in detail in this article, because it appears to be characteristic of the general position of many branches of industry which, on account of their very technical perfection, are at a disadvantage, owing to the fact that they cannot at the present time find sufficient markets for their goods. This is a well-known symptom of the war and post-war period, which is by no means confined to Germany alone, but is a result rather of the advanced industrialisation of most countries, which is incompatible with the still very feeble purchasing-power of the world market, and the widespread attempts to introduce Customs barriers. This problem will be a very difficult one to solve.

We have seen that only 25 per cent of the payments made by Germany since the beginning of the first Reparation year had to be converted into foreign currencies. This was effected to a great extent automatically by means of the 26 per cent duty on German imports into England, that is to say without the control of the Agent General. The German

exporter receives in England only 74 per cent of his invoice in cash, the remaining 26 per cent is paid by the English buyer to the British Customs, who transmit this amount to the Reparations account, whilst the German exporter receives the Customs receipt for this amount denominated in pounds sterling, and presents it to the German Government in exchange for Reichsmarks. At the present time negotiations are being conducted with a view to changing the present procedure. England is prepared to accept in place of the Duty a lump sum per month from Germany, to be paid, not in marks, of course, but in pounds sterling. Nothing is to be gained by the proposed formation of a German banking consortium to put this new plan into execution. Such a consortium could not possibly assume a liability in foreign currency towards the British Government, without receiving a guarantee that the necessary amounts in foreign currencies would always be available. Whatever attempts are made to solve the problem, the fact cannot be overlooked that the Export Duty is nothing more or less than a cash transfer. It is therefore not sufficient for the Agent General to have at his disposal the corresponding amounts in marks, if the same amounts of foreign currency derived from exports are not at the same time available. The effect is the same, namely the export industry is deprived for purposes of transfer of a portion of its export assets in foreign currencies.

During the first nine months of the financial year 1924/25, the Reich achieved, according to the books, a net surplus of 940 million gold marks. The greater part of this surplus however had to be employed to meet a number of

liabilities (apart from the repurchase of the gold loan), which the Reich could not possibly refuse to meet. One of the most important of these liabilities was the deliveries in kind which the MICUM exacted from the Ruhr industrialists, and which the latter had themselves to finance at the beginning. As the proceeds from these deliveries were credited to Germany on reparations account, it stood to reason that the Reich would pay off the debt, as soon as its financial position enabled it to do so. The mining industry could only secure the reparation deliveries of the Reich by credits for a short time and it was necessary to remove these burdens from the mining industry as speedily as possible, if the works themselves and the enormous number of workmen employed by them were to be saved from an intolerable position. The above observations clearly show the fallacy of the political agitation, which is attempting to interpret these clear facts as involving a gift on the part of the Government to the great iron and steel industry.

January 1925 proved also to be a very satisfactory month for the finances of the Reich. The payments to the Reichshauptkasse amounted for this month to 778 million RM., the expenditure to 622 millions, giving a surplus balance of 156 million RM. The extraordinary increase in the receipts from taxation during this month, must, it is true, be regarded as temporary and seasonal. This increase was chiefly due to the fact that the receipts from the Turnover Tax amounted in January to 201 millions, that is to say 50 to 60 millions more than in the preceding months, due to increased business activity connected with the Christmas

festival. The necessity for reducing the excessive tax burdens which originated during the Inflation, and no longer correspond to the requirements of a stabilised currency, and adjusting the taxes to actual commercial profits, has become more and more urgent. This point has certainly been taken into consideration in the new Tax Bills published. The Government of the Reich rightly bases its defence of the reforms proposed by it on the necessity for protecting fresh capital, as our whole economic future depends on this. In the Germany of today, that type of tax legislation will best correspond to the requirements of the community at large which takes account of the fact that now, more than ever before, tax legislation is a vital and decisive instrument of economic policy. One of the most important points to remember when distributing the burden of taxation is that the present commercial exhaustion of Germany must be taken into account.

From the German
Translated - CFH
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FMC.

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TRANSFER COMMITTEE

ECONOMIC SERVICE.

BERLIN, March 21, 1925.

RECEIPTS OF THE REICH FOR THE MONTH OF FEBRUARY 1925.

(See Doc. 53)

The Deutscher Reichsanzeiger (No. 64) publishes tabular statement showing the receipts from taxation for the month of February 1925. Below is the usual table showing the receipts from the principal groups of taxes :

	Estimated receipts		Receipts actually collected					
	Financial year 1924/25	Average per month	Monthly average Quarters 1st	2nd	3rd	Jan. 1925	Feb. 1925	1 April 1924 to 28 Feb. 1925
			(in millions of Reichsmarks)					
I. Taxes on Property & Circulation								
a) permanent	4,108.0	342.3	403.9	468.5	509.9	587.9	494.2	5,228.9
b) non-recurrent	36.0	3.0	6.8	3.4	11.5	5.7	4.6	75.6
II. Customs & indirect taxes								
c) assigned taxes	1,017.0	84.7	85.1	113.7	131.3	160.1	137.6	1,228.2
d) other taxes	82.7	6.9	7.8	8.4	11.5	14.9	11.7	110.0
III. Miscellaneous	-	-	1.3	0.4	0.4	0.3	0.1	7.3
Total	5,243.7	437.0	504.9	594.8	664.6	768.8	648.2	6,710.1

As compared with the January receipts, the receipts from taxation for February show a considerable decrease for all categories. The January receipts were exceptionally high owing to the amount of business done over Christmas. Moreover, there are only 28 days in February. It will be noted that the receipts for February are slightly lower than the monthly average for the third quarter (October - December 1924).

At the end of the eleventh month of the financial year, the estimated receipts for the whole year (twelve months) were exceeded by 1,466.4 million Reichsmarks. The receipts for March will probably amount to about 600 millions. Consequently, the surplus returns as compared with the estimates for the whole financial year would be about 2 milliard Reichsmarks. The receipts collected will thus probably exceed the estimates by about 40 per cent.

The following table shows the receipts from the principal direct taxes :

	Estimated receipts		Receipts actually collected					
	Financial year 1924/25	Average per month	Monthly average Quarters 1st	2nd	3rd	Jan. 1925	Feb. 1925	1 April 1924 to 28 Feb. 1925
	(in millions of Reichsmarks)							
Income Tax:								
a) on salaries	-	-	87.8	109.6	120.3	126.1	122.5	1,202.1
b) on income from capital	-	-	0.6	1.0	1.9	3.6	2.9	15.5
c) other sources	-	-	66.4	68.5	77.2	113.6	61.3	811.2
Total	1,344.0	112.0	154.8	179.1	199.4	243.3	186.7	2,028.8
Corporations Tax	144.0	12.0	23.1	24.8	28.7	28.9	28.0	287.1
Tax on fortunes	376.0	31.3	24.9	34.5	49.9	34.5	83.0	445.5
Turnover Tax:								
a) ordinary tax	1,260.0	105.0	139.1	148.5	165.6	201.0	126.7	1,681.5
b) luxury tax	180.0	15.0	8.9	8.2	11.3	14.6	9.8	109.6
Tax on Bourse transactions	150.0	12.5	10.2	9.9	7.3	8.7	11.7	102.9
Transport Tax	230.0	19.2	20.3	36.6	23.4	26.2	21.2	288.8

As compared with the receipts for the preceding months, the Tax on Fortunes shows an increase, which is due to the fact that a quarterly payment fell due on 15 February last.

The decrease in the receipts under the heading "Income Tax, other sources" (c) above, anticipatory payments)

and the Taxes on Turnover may be attributed to the application of the Decree of 10 November 1924.

In virtue of that Decree, anticipatory payments in respect of Income Tax were reduced by a quarter for payments falling due after 10 January 1925.

The rate of the ordinary Turnover Tax was reduced from 2 to 1½ per cent and that of the Luxury Tax from 15 to 10 per cent. These measures came into force on 1 January 1925. (The taxes paid in February are calculated on the January turnover).

We give below the receipts from indirect taxes assigned as security :

	Estimated receipts		Receipts actually collected					
	Financial year 1924/25	Average per month	Monthly average Quarters 1st	2nd	3rd	Jan. 1925	Feb. 1925	1 April 1924 to 28 Feb. 1925
			(in millions of Reichsmarks)					
Customs	160	13.3	21.7	23.8	31.2	52.1	35.9	318.1
Tobacco Tax	360	30.0	35.6	41.4	44.7	51.0	53.3	469.6
Beer Tax	126	10.5	13.7	20.1	15.0	16.9	16.3	179.7
Sugar Tax	231	17.6	10.8	19.6	22.7	19.5	18.4	197.3
Spirits monopoly	140	11.7	3.2	8.9	17.6	20.6	13.5	143.5

The customs receipts for February show a decrease of 16.2 million RM. as compared with the January receipts, but are approximately the same as the maximum for the preceding

months (December customs receipts: 36.1 millions RM). It will be noted that the high receipts for December and January reflect the increase in trade due to Christmas festivities and also the increase in imports before 10 January 1925 (restoration under the Peace Treaty of freedom of action in Germany with regard to customs tariffs).

We give below the figures, according to our calculations, of the transfers to be effected by the Reich to the States in respect of taxes collected by the former, and also the net share remaining to the Reich.

	Budget Estimates		Receipts collected and amounts to be transferred (according to our calculations)					
	Financial year 1924/25	Average per month	Monthly averages Quarters 1st	2nd	3rd	Jan. 1925	Feb. 1925	1 April 1924 to 28 Feb. 1925
			(in millions of Reichsmarks)					
Total of the taxation receipts of the Reich	5,243.7	437.0	504.9	594.8	664.6	768.8	648.2	6,710.1
Transfers to the States (according to our calculations)	1,861.6	155.1	198.7	227.2	248.2	294.2	226.7	2,543.3
Net receipts of the Reich	3,382.1	281.9	306.2	367.6	416.4	474.6	421.5	4,166.8

According to the figures at the Reichshauptkasse, the addition of the monthly tax transfers effected by the Reich to the States down to the end of February gives a total

of 2,377.7 million Reichsmarks. At that date the Reich would therefore appear to be owing the States the sum of (2,543.3 - 2,377.7) 165.6 million Reichsmarks.

M.H.

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MdeJB.

I.I.9. 3142
35941
3613

Doc. 72

24 March 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

ESTIMATED EXPENDITURE ON STAFF BY THE REICH, THE STATES, THE COMMUNES, THE REICHSBAHN, THE REICHSPOST AND THE STATE-RUN UNDERTAKINGS.

The Memorandum on the "history of the salaries of officials from 1907 to December 1924", recently published by the Finance Ministry (Reichsgesetzblatt 1925, page 11) estimates the amount expended on staff by the Reich, the States, the Communes, undertakings formerly run by the Reich and the undertakings run by the States. The following figures are based on the position as on 1 December 1924.

I. Expenditure on Staff of the Reich.

A. General Administration (including the new army)

a) officials and employees	620.3	million RM
b) retaining pay and pensions (of officials and their families)	126.3	
Total	746.6	

B. Military pensions to the former army and war pensions	1 199.5	
C. Miscellaneous supplements	122.6	
Total	2 068.7	

or in round figures, 2069 million RM.

II. Expenditure on Staff of the States.

The calculation is based on the expenditure of Prussia which represents approximately 3/5 of the expenditure of the States.

Expenditure on Staff of Prussia:-

a) officials of the administration, including police, schools, churches, etc.	1 200.2 million RM.
b) pensions of officials and their families	200.2
Total	1 400.4 million RM.

Calculated on a basis of the expenditure of Prussia, the expenditure on staff of the States is:-

$$\frac{1400.4 \times 5}{3} = 2334 \text{ million RM.}$$

III. Expenditure on staff of the Communes.

The expenditure on salaries and pensions of the Communes (excluding the expenditure on staff for secondary and primary schools - which is included in the expenditure of the States - and excluding expenditure on staff for the undertakings run by the Communes) is estimated at:-

1500 million RM

IV. Expenditure on staff of the Reichspost, the Reichsbahn and undertakings run by the States.

The following estimates include expenditure on salaries and pensions, but not workmen's wages.

a) Reichspost	980	million RM
b) Reichsbahn	1 313	" "
c) Undertakings run by the States	63	" "
Total	2 356	million RM

The expenditure on staff for undertakings run by Prussia (domains, forests, etc.) amounts to 37.7 million gold-marks. As the expenditure of Prussia represents approximately 3/5 of the expenditure of the States, the latter expend approximately

$$\frac{37.7 \times 5}{3} = 63 \text{ million RM.}$$

d) It is not possible to estimate the amount expended by the Communes on undertakings run by them.

The following is a general statement of the expenditure on staff:-

A. Expenditure on staff of the administrations:-

a) of the Reich	747	million RM
b) of the States	2 334	" "
c) of the Communes	1 500	" "
Total.....	4 581	" "
B. Pensions of the former army and war pensions paid by the Reich.....	1 199	" "
Total.....	5 780	" "
C. Reichsbahn, Reichspost, undertakings run by the States	2 356	" "
Total expenditure on staff.....	8 136	million RM.

M.H.

From the French
Translated - BWS.
Checked - CFH.
KP.

I.I.9.222 Doc. 73

BERLIN, 25 March 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

A SPEECH BY M. DECAMPS ON THE TRANSFER QUESTION.

On 28 February 1925, at the close of the annual banquet of the Federation of French Industrialists and Traders, M. Décamps, Director of Economic Research at the Bank of France, delivered a speech, of which the following is an analysis, on "the Reparation question considered from the point of view of the transfer procedure".

M. Décamps began by stating that the time had come to stop the interminable controversy which gave the impression that France did not wish to be paid, and at last to decide upon and apply the form which would appear to have the most immediate and the least uncertain results.

At the same time the Reparation problem had evolved, being no longer the same as immediately after the war. In theory the required solution is essentially based on the two following principles governing international payments:

> A country which is debtor to another country cannot discharge its debt except by exporting goods, services or securities,
>
> and its creditors cannot recover what is owing to them unless they themselves agree to accept goods, services or securities.

But these principles have now to be applied in exceptional conditions and require to be continually adjusted by the debtor as well as the creditor.

Assuming in the first place that the debtor does not systematically object to the settlement of his debts, it remains to be seen how the creditor can also adapt himself to Reparation policy. In order to understand this policy the position created by the Reparation policy hitherto followed must be defined.

I. THE REPARATION PROBLEM IMMEDIATELY AFTER THE WAR.

Immediately after the war France could impose upon Germany the direct reparation of her devastated regions, with German material and labour, or execute this reparation herself, with her own resources and her own labour, and claim payment therefor from Germany. France chose the second alternative. What would have happened had she chosen the first ?

Germany would have done what France has done instead. With her industry intact, and her exchequer, which at the end of the war was in no worse a state than that of France, she could, according to M. Décamps, have done in France what France has done, without there being any question of transfer. Germany would have found herself fully employed in this gigantic undertaking, which would have led to a steady rise of prices and wages in Germany. The German industrialists paid by the Reich to execute the work of reconstruction would have realised large enough profits, (at the expense moreover of their compatriots), to make them anxious that the Reich should continue it to the end, and, if the Reich were not in a position to finance this vast undertaking by means of taxation, if it had to have recourse to inflation, as it was in any case obliged to do, such inflation would at least have been to France's advantage.

France did not choose this policy. After refusing direct reparation, she likewise refused deliveries of material by Germany, by setting up a barrier in the form of a systematic increase in her

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France did not choose this policy. After refusing direct reparation, she likewise refused deliveries of material by Germany, by setting up a barrier in the form of a systematic increase in her

general tariff. As a result, it is France who has incorporated the Reparation charge in her net cost of production, experienced the rise in prices and wages entailed by the enormous consumption of products and services by the Dovastated Regions, and lastly, used up her credit and her currency in financing this enormous undertaking. It is this state of affairs which now complicates the problem.

II. THE PRESENT PHASE OF THE REPARATION PROBLEM.

According to M. Décamps, Franco has hitherto counted upon Germany repaying in money, work done in France by Frenchmen, with French material. France was attracted by the prospect of cash payments; Germany was to increase her exports and make over to France her foreign claims, in payment of her reparation debts. These hopes came to nought. By the force of circumstances, reparation in cash will, in the immediate future, play only a secondary part, and "if ever we are paid, it will be chiefly in deliveries in kind".

Unfortunately the possibilities of absorption are no longer what they were immediately after the war. The outlets in the Devastated Regions are being gradually closed up, while French industry finds her productive capacity increased by the very fact that it had for several years to restore the Devastated Regions. It is not surprising that French industrialists are uneasy as to the consequences of a considerable influx of German goods. These fears should not be overlooked, but it is impossible to sacrifice to them present financial requirements. "We must submit to a compromise, and organise ourselves so as to obtain from the Dawes Plan, which is the new Charter of our rights, the best results with the minimum risk to our economy".

But, what changes has the Dawes Plan made in Germany's obligations ?

In the first place, the Dawes Plan has transformed the Reparation debt from a debt "to be brought" into a debt "to be fetched", in the sense that Germany henceforward is under no other obligation than to hold in Germany, at the disposal of her Reparation creditors, the sums owing to them, while the responsibility of the transfer rests entirely with the creditors.

In the second place, the Dawes Plan has provided certain conditions limiting the few rights of the creditors and preventing them, in particular, from effecting the transfer each for their own account and as they please. The "Transfer Committee" must supervise the initiation of the creditors in the matter of transfers, so that these shall not be too heavy a burden on the economy and currency of the debtor.

Taking everything into account, and subject to the foregoing reserves, France should receive approximately GM. 500 millions on the first annuity and GM. 1 200 to 1 300 millions on the standard annuities. It is in connection with these sums that France will have to face the problem of transfer.

Before touching however on the solution of this problem, M. Décamps wished to consider a hypothesis which, if realisable, would to a certain extent modify the problem, to wit the mobilisation of the capital representing the annuities to be paid by Germany.

III. THE POSSIBILITY OF REALISING THE ANNUITY CAPITAL.

The Dawes Plan provided for the creation of two series of bonds representing a total of GM. 16 milliards: 11 milliards in railway bonds and 5 milliards in industrial bonds. The total or partial realisation of the 16 milliard marks of these bonds would considerably affect the transfer problem: "the sums required for the payment of interest and sinking fund on the bonds sold would have to be transferred directly to the holders of the said bonds in their respective countries. These sums would consequently have to be deducted from the balances to be distributed and transferred from Germany to the creditor countries".

This mobilisation of the bonds would, however, entail for the creditors, in so far as the sale is not made on their own market, the converting into their national currency of the funds thus realised. In so far as France is concerned, said M. Décamps, this bringing in of foreign exchange would not be such as to create difficulties. "In order to convince oneself, it is sufficient to glance at the rates of exchange for the last few days". But the mobilisation of the annuity capital will only be possible if the creditor countries arrange to create a guarantee system, which will facilitate the selling of these bonds and encourage negotiation on their respective markets.

M. Décamps examined in the first place the necessity for the creditors jointly and severally to guarantee the payment of interest and sinking fund. "Such an arrangement appears to me essential, otherwise the issues will be .....

consistently hampered by the requirements of the Transfer Committee, which will be unwilling to authorise them, except in so far as it can ensure the service of the bonds in cash, without upsetting the stability of the gold mark".

"At the same time, failing joint endorsement, I feel," continued M. Décamps, "that individual endorsement furnished by each creditor in respect of the portion allotted to him, would ensure these bonds being in regular demand, especially if made negotiable on the international market. Need I add that we are very interested in such an arrangement".

"It is to be hoped that our Treasury will thus obtain the means for covering the expenditure necessary to complete the work of reparation; I think this would be possible if the French Government agreed to endorse the German bonds issued on our market".

"I am quite aware that it would be better not to have to give this guarantee. But once more, I fear that the requirements of the Transfer Committee would make their sale difficult and in any case prevent such sale from being as extensive as desired".

How would such a guarantee affect France and what risk would she run ? Let us assume, said M. Décamps, that the French Government gets the Reparation Commission to issue a certain amount of bonds on which the Government would guarantee interest and sinking fund to bearer. What would its position be ? It would certainly not be worse than it is now, when the French Government issues and guarantees long and short term securities. Since France must in any case have recourse to credit, would it not be preferable that she do so by issuing bonds created by the Reich to represent its debt, and would she not thus increase her chances while finally reducing the charges which she would have to bear. M. Décamps sees several advantages in such a policy.

1) The security furnished by the State would be only collateral.

2) The Treasury could always cover its disbursements by drawing from its balance in the books of the Agent General for Reparation Payments. "The Experts' Plan provides that, in the event of the Reich's payments having to be reduced, the funds reduced would not be those intended to ensure the service of the bonds issued. In addition, the transfer of these sums must enjoy priority as soon as the said bonds are privately held".

3) As regards the sale of these bonds, this would be facilitated on the French market at least by the fact that interest and sinking fund are payable on a gold basis, that is to say, the bonds belong to a class of security which is in ever-increasing demand among investors". Their sale would be still further ensured if the various money-markets united in authorising the negotiation of these bonds, which would thus come to be used as a means for clearing the foreign debts which regulate the exchange.

IV. THE ORGANISATION OF DELIVERIES IN KIND.

M. Décamps thought that the possibility of mobilising a portion of the debt is still too remote to make it, in spite of its importance, the centre point of reparation policy.

The reparation problem for France means the best method of utilising the payments under the Dawes Plan. In view of the fact that the cash payments will be extremely small, and that they will probably be completely absorbed by the service of the bonds which the Reparation Commission may succeed in selling, it is in the form of goods and services that France will have to recover her quota of the annuities. What arrangement should be made in order that these necessary imports should have the least harmful effect?

M. Décamps declared himself averse to the proposal drawn up by the French Government in this connection, since it entails the creation of an "Office for Deliveries in Kind", whose function it would be to conduct propaganda in France, encouraging private individuals and French administrations to place contracts with German industrialists, to examine the contracts placed, in order to make sure that they will not prejudice French economy, and, lastly, to fix the prices at which German deliveries in kind will be sold in France. According to M. Décamps, all this "administrative machinery" will not give good results. The best plan would be to let the deliveries be arranged as freely as possible, on the understanding, of course, that they could only be successful if the Customs Duties applied were no longer prohibitive.

Why not revert to the principles which were introduced in the Wiesbaden and Berlin Agreements and which provided for preferential treatment in respect of German reparation imports into France? Why not accord Germany the most favoured nation treatment in respect of her reparation deliveries? Such an arrangement would after all amount to admitting, in particular cases, German products on the same footing as those of the other countries benefiting by a reduced tariff. It cannot be alleged that such an arrangement would mean sacrificing the normal protection deemed necessary for French industry, since the exceptional advantages which Germany, at one moment, was able to gain from her currency policy and the non-payment of reparation, have now disappeared. German home prices are adjusted to world prices, and the payments which the Dawes Plan lays upon the Reich will be a charge on the cost of production of her industry. Would not the charges with which reparation in kind risks to burden French industry be much better distributed in this way than if left to the discrimination of an administrative office ?

From a financial point of view, nothing would be simpler than the organisation of such a system. The Office for Deliveries in Kind which would, for the account of the Treasury, supply importers with the necessary exchange for the payment of deliveries received, could at the same time give them the voucher enabling them to claim from the Customs the benefit of the lowest tariff.

The Reparation Problem, according to M. Décamps, is no longer what it was at the outset. The capacity of absorption of the Devastated Regions is steadily decreasing. If France wishes to be paid, and paid she must be, she should extend the system of deliveries in kind to the whole of her territory and even to her colonies. This was the aim of M. Le Trocquer's policy and also of M. Sarrault's plan for the development of our colonies, in which he provides for the utilisation of Germany's deliveries.

In conclusion, M. Décamps pointed out that the difficulties of reparation transfer have been greatly exaggerated. Although the problem is not easy, it is not insolvable, and can be solved now, as before, in conditions which will be by no means disastrous either for Germany or France, if the public authorities and the industrialists display the necessary will power and adaptability.

From the French
Translated - JMF.
Checked - BWS.

QW. DR.

I.I. 9.34 Doc. 74

BERLIN, 30 March 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE MEMORANDUM ON THE LOANS OF THE REICH FOR 1924.

(see Doc. 64)

The Memorandum on the loans of the Reich for 1924 gives information on the following points.

a) Increases and decreases in the new Public Debt of the Reich (stable value debt), from 15 November 1923 to 31 December 1924.

Position as on 15 November 1923	686 160 951.84 R.M.
Position as on 31 December 1924	2 724 349 198.31 R.M.
Increase	2 038 188 246.47 R.M.

Details as to the composition of this debt and its variations during 1924 are given in Appendix I.

b) Amount of the paper mark debt of the Reich as on 31 December 1924 (for details see Appendix II):

823 277 419 307 043 paper marks

c) Amount of the Floating Debt in Reichsmarks as on 31 December 1924 (Treasury Bonds in Reichsmarks, working capital of the Reichshauptkasse) 30 000 000 R.M.

d) Amount of Treasury Bonds assigned as security (Zahlungsverpflichtungen und Sicherheitsleistungen - payment liabilities and guarantees) still in circulation on 31 December 1924:-

Bonds handed over for the payment of compensation	20 866 544 736 paper marks
Bonds handed over for the payment of foodstuff deliveries during the war	47 000 000 Dutch florins 57 651 379.80 Norwegian Crowns.

The Treasury Bonds expressed in dollars issued in the United States before the entry of that Power into the war have not yet been repaid, as the negotiations with regard to German assets in America are not yet concluded.

The Memorandum then indicates the issues authorised by the 1924 Budget Laws, the issues made and those which are still permissible.

A. Issues authroised to cover Extraordinary Expenditure	348 071 227 R.M.
Issues made as on 31 Dec.1924	87 500 R.M.
Issues still permissible	347 983 727 R.M.
B. Issues authorised to increase the working capital of the Reichshauptkasse	300 000 000 R.M.
Bonds in circulation as on 31 December 1924	30 000 000 R.M.
Issues still permissible	270 000 000 R.M.
C. Issues of Bonds authorised for the payment of compensation and the repayment of the British Recovery Act	225 000 000 R.M.
Amount of "E" Bonds issued for these purposes	215 144 350 R.M.

M.H.

From the French
Translated - B.S
Checked - RB

Name of Loan.	O B S E R V A T I O N S	VARIATIONS IN THE PUBLIC DEBT Capital Debt as on 15 Nov. 1923.	Increase (+) from 15 Nov.
		Reichsmarks	Reic
I. TREASURY BONDS. (1) 1923 Dollar Treasury Bonds maturing 15 April 1926 $ 46 443 010	Law of March 1923 authorising the issue of $50 000 000 in Treasury Bonds. $46 443 010 were issued. Under a Convention between the Reich & the Reichsbank, the latter assumed responsibility for this debt in return for the privilege of issuing notes which was granted to it.	(1) 195 060 642.00	
(2) 1923 Treasury Bonds of the Reich (Gold Loan) maturing on 2 Sept.1935.	6% interest payable on 1 Sept.of each year. Bonds issued under Laws of 11 July & 14 Aug.1924. 491 100 309.84 GM. issued. Small denominations (less than 21 Mks) were exchanged for Rentenmarks in Jan.1924. (4 055 025.66 GM.) The amount in circulation on 31 Dec.1924 had been reduced to 24 639 391.56 GM. by amortisation effected since the issue (repurchase to support quotation rates).	491 100 309.84	- 36 42
(3) 1923 Six per cent Treasury Bonds maturing on 1 Dec.1932.	Issued under the Law of 4 June 1923 to guarantee the issue of emergency currency. After the withdrawal of this currency, the holders of these Bonds placed them on the market and they were redeemed by the Reich.	-	+ 184 13
(4) 1923 "K" Bonds	Issued under the Law of 11 July 1923 for the payment of compensation - interest and amortisation variable - These bonds were exchanged for "E" Bonds.	-	+ 11 20
(5) 1924 "E" Bonds.	Issued for the repayment of the British Recovery Act tax and for the payment of compensation. Given in exchange for "K" Bonds. The "E" Bonds are non-interest bearing, and are repayable in four equal half-yearly instalments at 100%, 105%, 110% and 115%.	-	
II. DEBTS TO BANKS. (6) Debt to the Rentenbank.	Money lent (by the Rentenbank to the Reich under the Law on the Rentenbank of 15 Oct.1923 (1 200 million RM) 196 459 960 RM were used for the repayment of paper mark Treasury Bonds discounted by the Reichsbank (debt without interest). The balance of 1 003 540 040 RM. bears interest at the rate of 6%. The Law of 30 Aug.1924 laid down the amortisation conditions of this Debt.	-	+ 1 096 4
(7) Debt to the Reichsbank.	Origin: Loans in foreign currency granted by the Reichsbank to the Reich at the time of the Occupation of the Ruhr. Under an agreement of 5 July 1924, which came into force on the following 11 Oct. 100 000 000 RM fall due in 50 years (1 Oct.1974) and bear interest at the rate of 2% per annum; 135 510 013 RM are redeemable in 15 equal instalments as from 1 Jan.1925 and bear interest at the rate of 3% per annum.	-	+ 235 5
III. FOREIGN LOAN. Dawes Loan.	Issued under the Law of 30 Aug.1924. Nominal value:- 110 000 000 dollars; 21 360 000 pounds sterling; 15 000 000 Swiss francs; 25 200 000 Swedish crowns; 100 000 000 lire. Interest at 7% per annum payable on 15 April & 15 Oct., amortisation in 25 years at 105% (American tranche) or 100% (other tranches).	-	
Total		686 160 951.84	+ 1 490 8

(1) The conversion into Reic at the cable transfer ra

From the French
Translated - BWS
Check - B.

APPENDIX II. Doc. 74.

POSITION OF THE PAPER MARK DEBT OF THE REICH

AS ON 31 DECEMBER 1924.

A. DEBT OF THE REICH, PROPERLY SO-CALLED.		Paper Marks
1. Consolidated Debt		49 743 980 300
2. Interest-bearing Treasury Bonds 4½ per cent Bonds (1916 to 1918)	6 316 465 700	
"K" Bonds (8 to 15 per cent) of 1923 and 1924	822 895 491 600 000	
Total		822 901 808 065 700
3. Miscellaneous Loans		
a) Lottery Loans 1919	3 840 000 000	
b) Forced Loans 1922	307 780 810 000	
Total		311 620 810 000
Total for debts contracted directly by the Reich		823 263 172 756 000

B. DEBTS OF THE STATES TAKEN OVER BY THE REICH	
Total	14 246 551 043
Total Public Debt of the Reich in paper marks	823 277 419 307 043

C. NON-INTEREST-BEARING TREASURY BONDS DISCOUNTED BY THE REICHSBANK.

This debt, which amounted on 15 November 1923 to 191 580 465 421 902 355 300 paper marks, was repaid with 196 450 960 Rentenmarks advanced by the Rentenbank to the Reich for the purpose (see Appendix I -(6)-).

From the French
Translated - BWS
Checked - RB

VARIATIONS IN THE PUBLIC DEBT OF THE REICH FROM 15 NOVEMBER 1923 to 31 DECEMBER 1924 (NEIBLIS DEBT).

Capital Debt as on 15 Nov. 1923.	Increase (+) or decrease (-) from 15 Nov. to 31 Dec. 1923.	Capital Debt as on 31 Dec. 1923.	Increase (+) or dece (-) from 31 Dec. '23 to March '24.	pital Debt as on March 1924.	Increase (+) or decre from 31 Mar. '24 to 3
Reichsmarks	Reichsmarks	Reichsmarks	Reichsmarks	Reichsmarks	Reichsmarks
(1) 195 060 642.00	-	(1) 195 060 642.00	-	(1) 195 060 642.00	- 195 060 642.0
491 100 309.84	- 36 422 890.56	454 677 419.28	- 244 450 937.	210 226 482.27	- 185 587 090.7
-	+ 184 136 127.00	184 136 127.00	- 142 165 338.	41 970 789.00	- 40 534 473.0
-	+ 11 203 200.00	11 203 200.00	- 8 432 000.	2 771 200.00	- 1 332 150.0
-	-	-	-	-	+ 317 224 227.
-	+ 1 096 459 960.00	1 096 459 960.00	-	1 096 459 960.00	+ 103 540 040.0
-	+ 235 510 013.00	235 510 013.00	-	235 510 013.00	-
-	-	-	-	-	+ 944 100 200.
686 160 951.84	+ 1 490 886 409.44	2 177 047 361.28	- 395 048 275.01	1 781 999 086.27	+ 942 350 112.

(1) The conversion into Reichsmarks of the foreign currency debts has been effected at the cable transfer rate of 31 Dec. 1924.

3 to 31 DECEMBER 1924 (NEW PUBLIC DEBT).

on	Increase (+) or decrease (-) from 31 Dec. '23 to 31 March '24.	pital Debt as on March 1924.	Increase (+) or decrease (-) from 31 Mar. '24 to 31 Dec.1924.	Capital Debt as on 31 December 1924.
ts	Reichsmarks	Reichsmarks	Reichsmarks	Reichsmarks
2.00	-	(1) 195 060 642.00	- 195 060 642.00	-
9.28	- 244 450 937.01	210 226 482.27	- 185 587 090.71	24 639 391.56
7.00	- 142 165 338.00	41 970 789.00	- 40 534 473.00	1 436 316.00
0.00	- 8 432 000.00	2 771 200.00	- 1 332 150.00	1 439 050.00
	-	-	+ 317 224 227.75	317 224 227.75
0.00	-	1 096 459 960.00	+ 103 540 040.00	1 200 000 000.00
3.00	-	235 510 013.00	-	235 510 013.00
	-	-	+ 944 100 200.00	(1) 944 100 200.00
1.28	- 395 048 275.01	1 781 999 086.27	+ 942 350 112.64	2 724 349 198.31

ts has been effected

I.I.9.41
9.4112

DOC. 75

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 31, 1925.

THE PUBLIC BANKS, THE EFFECT OF THEIR ACTIVITIES ON CREDIT AND THE POLICY OF THE REICHSBANK.

S U M M A R Y.

I. General characteristics of the "public banks".

II. Classification of "public banks".

III. Organisation of these banks.

IV. Extension of their field of action.

V. Assignment of available public funds.

VI. Activity of the "public banks" in 1924.

VII. Temporary character of the situation.

VIII. Signs of a return to a normal state of affairs.

IX. The utilisation of public funds and the Reichsbank.

X. Normal functions of the "public banks".

XI. The Reichskredit A.G. and the Deutsche Verkehrs-Bank.

XII. Different classes of public funds.

XIII. Rôle of the Reichsbank.

XIV. Facilities offered by the "public banks" for discounting Treasury Bonds.

XV. Conclusion.

From the French : Translated - CFH : Checked - RB.

DOC. 75.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 31, 1925.

THE PUBLIC BANKS, THE EFFECT OF THEIR ACTIVITIES ON CREDIT AND THE POLICY OF THE REICHSBANK.

A certain number of public or semi-public banks have played an important part recently in the distribution of credits in Germany. It is proposed to discuss in this report in a general manner the nature of these banks and the part played by them, and more especially the extent to which they are able to affect the position of the Reichsbank.

I. General characteristics of the "public banks".

The institutions with which this report is concerned are bodies, in the foundation and management of which, public communities (Reich, States, Communes or State institutions) play a preponderant part, either by furnishing all or part of the capital, or by controlling more or less directly the management of the undertaking. They are opposed to the private banks, where capital and management are entirely under the control of private initiative. It may be added that, although there is no obstacle to their admission in principle, these "public banks" are not members of the Stempelvereinigung, the association which groups together all the large private banks, and having for its principal object the fixing of the general conditions for granting credits.

From this fact it can already be concluded that the banks under discussion may follow, and occasionally have indeed followed, an independent credit policy.

II. Classification of "public banks".

Within the wide limits sketched above, the "public banks" are called upon to transact very varied business, and they react accordingly in very varied manner on commerce and credits. It would appear possible to divide these banks into three chief categories :

a) State Banks, the capital and management of which are entirely in the hands of a State. The main object of these banks is to administer the available funds by utilising such funds, and to make provision to meet the requirements of the State by the issue of loans or Treasury Bonds. This is the case with the Preussische Staatsbank (Seehandlung), and other less important banks such as the Bank of Oldenburg. This category also includes private banks of issue (Bavaria, Saxony, Wurtemberg, Baden), although their capital is not entirely supplied by the State. In view of their connection with the Reichsbank, and the part played by them which is principally of a local nature, we will not consider this latter type.

b) Banks founded or taken over by the State or a public community for the purpose of carrying through the banking transactions of public industrial undertakings. Here the State no longer acts as representative of public authority,

but as an industrialist. The Reichskredit A.G.* and the Deutsche Verkehrsbank come within this category.

c) Mixed organisations, which - under the control of a State - centralise, counter-balance and administer the funds derived from public communities (provinces or communes), or from individuals through local credit or savings organisations. This category includes the Giro Zentrale, the Preussische Genossenschaftskasse, and also, in its new form, the Rentenbank.

III. Organisation of these banks.

We have already had occasion to trace the main outlines of the Preussische Staatsbank, its organisation and the rôle played by it (see Note of January 12,1925), of the Deutsche Verkehrsbank (see Doc.No.44), and of the Reichskredit A.G. (see Note of March 9, 1925, summarised as an Annex).

There remain therefore the Banks under Category c).

1) The Deutsche Girozentrale, Deutsche Communalbank is the banker of the Deutscher Sparkassen-und Giroverband, an association grouping together all the Savings Banks in Germany. In their capacity of communal institutions, the Savings Banks saw their field of action extended during the period of inflation by the creation of communal banks with which they are in general very closely associated. These Banks, combined in districts, form the Girozentralen, which in their turn combine to form the Deutsche Girozentrale.

* The VIAG (Vereinigte Industrie Unternehmungen A.G.) is only a holding Society which makes use of the Reichskredit A.G. for all its banking transactions.

but as an industrialist. The Reichskredit A.G.* and the Deutsche Verkehrsbank come within this category.

c) Mixed organisations, which - under the control of a State - centralise, counter-balance and administer the funds derived from public communities (provinces or communes), or from individuals through local credit or savings organisations. This category includes the Giro Zentrale, the Preussische Genossenschaftskasse, and also, in its new form, the Rentenbank.

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The capital of the Deutsche Girozentrale being very unimportant (3 millions), it only transacts business with the groups of which it is formed, and for which it acts as intermediary, either for the obtaining of credits, for example when it is a question of agriculture benefiting from Rentenbank loans, or by utilising the available funds of the group, by discounting the Treasury Bonds E. for example. The Managing Board, under the chairmanship of the former Minister, Herr Scholz, once Burgomaster of Charlottenburg, is composed chiefly of the representatives of the towns (mayors); a Commissioner appointed by the State of Prussia controls the Union. In 1924 its available funds amounted, as we know, to 11 807 millions, and its balance sheet showed a credit balance of 197 millions.

2) The Preussische Zentralgenossenschaftskasse (Preussenkasse) groups together the majority of the German Credit co-operative socieities (more especially the agricultural co operatives, the so-called Raiffeisenkassen, the small trade co-operatives of the towns - Schulze-Delitzsch co-operative societies, attached rather to the Giroverband der Dresdner Bank); these co-operative societies grant personal credits, to the exclusion of any real estate credits. The Preussenkasse is not a company, but an institution under public law, created by a special law, and controlled by the Prussian Minister of Finance, who appoints all the officials. It only enters into business relations with the affiliated cooperative societies and with the public cash offices.

3) The Rentenbank may be included in the same group;

since it was liquidated and placed under the control of the Reichsbank, it is nothing more than the kernel of an organisation for granting loans to agriculture (Treuhandstelle) until the Rentenbank-Kredit-Anstalt is formed. As is the case with the preceding institutions, this Anstalt, which is in course of formation, will distribute under the control of the Reich the credits at its disposal - both personal and real - through the intermediary of the local and district organisations.

IV. Extension of the field of action of these banks.

Their constitution and their organisation conferred upon these banks a very distinct place in public economy, as compared with ordinary banks. During recent years, however, radical changes have taken place, which have led them to play an increasingly important rôle on the credit market, and as a result have laid them open to criticism.

Under the influence of the inflation, and the apparent abundance of media of payment which was its corollary, the number of credit institutions increased *. Everybody wished to participate in the advantages to be derived from banking transactions, or in the profits which such transactions appeared to secure for those who went in for them. The Reich, the States and the Communes followed the movement. At the same time, the development of speculation on the Bourse, and the rapid increase of public issues led the

* Two tendencies may be observed, to all appearance contradictory; on the one hand concentration, in this branch as elsewhere, of enterprises (the large banks absorbing a large quantity of provincial banks), and on the other hand the creation of a large number of new undertakings.

banks to neglect deposit and credit transactions, properly so-called (in particular small depositors whose deposits as a whole formed the available funds of the banks, were progressively eliminated) and to devote their energies to Bourse transactions such as the purchase, sale and issue of securities, which would bring in large profits without anything having to be realised. The result was that the clients left the banks and favoured the Savings Banks and co-operative societies, which became little by little banks on a minor scale.

V. Assignment of available public funds.

This habit continued after the currency was stabilised and another factor contributed to increase the funds of the public banks. The public funds, for example the funds of the Treasury, surpluses, the funds of the Postal Administration and of the Railways, which during the first few months after stabilisation, formed almost the only means of credit available, were transferred by preference to the public banks. The Reichsbank itself was led to entrust to the Girozentrale and to the Preussenkasse the distribution of part of the Rentenbank credits intended for agriculture.

VI. Activity of the public banks in 1924.

Except for the isolated cases which have occupied public opinion, the Barmat scandals, etc., which in spite of their gravity, are only exceptional and chiefly disquieting for what they imply, what use have these banks made of

the funds placed at their disposal? All that is known of their activity and all that can be seen from the balance sheets published (see balance sheet of the Reichskredit A.G. and of the Deutsche Girozentrale) shows that, side by side with the class of transactions which come within their actual competency, they have all encroached upon the preserves of the private banks, with the exception no doubt of the Rentenbank, which is strictly tied by its Statutes. The public banks distributed large credits in the place of the private banks, which could only build up their funds slowly. Whether it was a question of loans on the market at sight or long-term, discount of bills or loans against security, they have dabbled in all classes of banking transactions.

VII Temporary character of the situation.

, What is to be thought of this situation? Does it offer serious dangers from the point of view of the position of the Reichsbank as an organisation for the control of credit?

The situation is certainly not normal and reflects the still chaotic state of the credit market, which has not yet recovered its equilibrium in the sense of distribution of work amongst the various banking organisations, but we believe that it is only a temporary phase of the crisis of reconstruction, and is nearing its end.

As a matter of fact, at the end of 1923, credits were almost entirely non-existent. The demand was tremendous, the supply almost nil. During 1924, as capital was

reconstituted or credit funds created, credits - with the exception of the Rentenbank agricultural credits - were first granted to the circles where the demand appeared to be most urgent and most advantageous, that is to say to commerce and industry, which were engaged in a life and death struggle and could not wait. Thence the almost exclusive and extravagant utilisation of all funds available on the short-term market. The private banks which had turned their attention more and more to transactions on the Bourse, which offered them a maximum of profit for a minimum of risk, have to build up a fresh clientèle amongst depositors. The State, finding itself the principal lender, thanks to the Treasury funds and budget surpluses, places at the disposal of commerce the money which it extracts from it in the form of taxes; for this purpose, and without much discernment, it makes use of the organisations which are nearest to it, and to which it was accustomed to entrust funds. Finally, the Reichsbank, supported by a currency without foundation (the Rentenmark), the stability of which is entirely dependent on contingent events, is putting forth every effort, until the expected work of reorganisation has been completed, to maintain the buying power of the currency both at home and abroad; its activities, so far as credits are concerned, are restricted to combating inflation by the restrictive measures introduced by itself.

VIII. Signs of a return to a normal state of affairs.

With the end of 1924, the exceptional circumstances, which had favoured the public banks, are beginning to disappear slowly. The capital market being better supplied thanks more especially to foreign credits lodged in the majority of cases with private banks, the rates for money are falling. As a result, the circles which in normal times interested certain of the undertakings under discussion, for example the Girozentrale and the Preussenkasse, are reappearing as borrowers: these are the agriculturalists, the owners of real estate, the artisans hitherto held back by the excessive rates asked for money and its exclusive use on short-term credits. The institutions in question will not be able for long to resist the pressure exercised by the clients on whom they depend, in spite of the attraction which the higher rates to be found elsewhere may still have upon them. At the same time the private banks are watching the return to them of their old clients, whose money finds its natural employment in discount transactions (whilst the "creditor" accounts of the banks have increased threefold and fourfold in 1924, it can be seen that in the Savings Banks the savings accounts increase much more rapidly than the Giro-accounts which correspond to the "creditor" accounts in the banks).

IX. The utilisation of public funds and the Reichsbank.

Although the stabilisation of the currency was attempted in November 1923, it only came to a successful conclusion

on October 1, 1924, with the application of the Experts' Plan and the reorganisation of the Reichsbank. Less than six months have passed since then, and the Reichsbank has only now been able to devote itself entirely to its task of controller of credits. Its activities appear to have been exercised principally in three directions :

a) reduction of the money rate (without inflating credits),

b) a return to normal credits (creation of a private discount market),

c) control of the employment by banks of available public funds.

From the point of view under discussion, the employment of public funds offers the most interest. We have seen that these funds form the principal resource of the public banks. In so far as the Reichsbank regulates their use, it deprives the public banks of their most powerful means of action, or at least it controls their policy. We know that on March 14th at least 585 millions (as compared with 201 millions on October 7th) of monies derived from the Reich or the public undertakings (Treasury, Postal Administration or Railways) were invested in drafts rediscounted by the Bank, and that on the other hand, since the end of December an agreement was arrived at between the Reichsbank and the Post for the utilisation of the funds belonging to the latter. Finally, quite recently, the Reichsbank, in agreement with the Reichsbahn, has just secured for itself extensive control

over the Railway funds deposited with the Deutsche Verkehrs-Bank (of which we will speak later). These funds, which of their very nature can only be employed for relatively short-term purposes, will be devoted principally to private discount transactions, and the Reichsbank will be kept au courant periodically of the transactions which have taken place. The Deutsche Verkehrs-Bank will on the other hand follow the example of the other banks, and supply to the Reichsbank statements showing the position every two months. Other monies of the Reich and of the Postal Administration remain, it is true, at the disposal either of the Seehandlung, which hands them over to the Preussenkasse, of the Preussenkasse itself, or of the Girozentrale, but it is a question here of the funds which must be gradually withdrawn from the public market (offener Markt) to be utilised to the advantage of agriculture. The position of agriculture is very special; it stands in great need of credits, but has hitherto been obliged to give way to industry; the benefits it has received from the Rentenbank credits do not amount to more than 600 or 700 millions. Furthermore the form of credit suitable to agriculture (even apart from mortgage credits) does not come within the field operated over by the Reichsbank; the "agricultural drafts" at three months must be renewed, and for this reason the Reichsbank is speedily repaying its debt to the Rentenbank by returning these drafts which are weighting down its portfolio; it could not of itself meet the requirements of agriculture.

Taking into account the credit requirements of agriculture, it may be said that from now onwards the major part of the public funds available is deposited with the Reichsbank, or at least in accordance with its instructions.

Moreover these available funds are destined to become partially exhausted: although the funds belonging to the Postal Administration represent a stable factor, it is very unlikely that the taxes will continue to bring in such large surpluses: the new taxation laws, the exigencies of the States, the threat of revalorisation will most certainly reduce the resources of the Reich in the coming months to the level of its expenditure, and the funds available will not be much in excess of the current requirements of the Treasury. As far back as January 18th the Minister of Finance made the announcement that they would not prove sufficient to last until the beginning of the financial year and that it would be necessary to issue Treasury Bonds; without taking this pessimistic declaration too literally, it is certain that in normal times the State would intervene on the market in the capacity of a borrower rather than of a lender.

X. Normal functions of the public banks.

The general credit conditions and the action of the Reichsbank therefore contribute to force the banks dealt with in this report back to their normal occupations; the Rentenbank and the Preussenkasse are supplying agriculture, the Girozentrale is centralising the movement of funds of

the Savings Banks and communal cash offices, and utilising the surpluses which are not required to meet local needs, for mortgage loans; the Seehandlung, which had profited more especially from the public funds, is becoming once more the Prussian State Bank and a kind of Clearing House for money transactions at sight. This movement is not being effected without a certain amount of resistance, and the last report from the Girozentrale contains a complaint to the effect that "the discount transactions of the Savings Banks are not receiving the welcome they deserve from the Reichsbank". The Reichsbank for its part is of the opinion that banking transactions come within the competency of bankers rather than of burgomasters, and that the Savings Banks should limit their activities to the business to which they are accustomed. In its report for the financial year 1924, the Reichsbank is constrained to state that it has "met with great difficulty in its efforts to obtain that the capital controlled by the State should be employed in the best manner in the interests of the general public".

XI. The Reichskredit A.G. and the Deutsche Verkehrs-Bank.

There remain two banks which play a special part, namely the Reichskredit A.G. and the Deutsche Verkehrs-Bank, which transact the banking business of the public industrial undertakings. Without returning to the details of their organisation, which have already been discussed, it should be observed that the first-mentioned is tending more and more to become an ordinary bank, and that its public character has recently

been specially emphasised by the large share taken by it in discounting the Treasury Bonds E. Its management does not seem to have given rise to any special criticisms, and the retirement of Herr Kauffmann who represented the Reichsbank on its Board, would appear to be nothing more than the result of a general measure prohibiting the directors of the Reichsbank from holding salaried posts.

As to the Deutsche Verkehrsbank, the majority of whose shares belong to the Reichsbahn A.G., the composition of its Board, on which sit side by side with the representatives of the Reichsbahn, representatives of all the big banks, shows that, apart from its rôle of intermediary between the Reichsbahn and its customers for deferred payments, it is only a bond of union between the Reichsbahn and the big banks. When the Reichsbahn entrusts funds to it, the position is almost the same as if it had entrusted the said funds to the big banks. We have moreover just seen that the Reichsbank has just obtained the right to watch over its actions.

In the case of these two banks, and with all due reserve as regards the precautions in respect of security which can be claimed for the funds destined to cover the annuities due under the Plan, the question to be decided is whether the industrial State or public enterprises should be allowed to dispose freely of their funds, as do other enterprises, or whether they should be forced to entrust them to the Reichsbank.

XII. Different classes of public funds.

Under the general denomination of public funds (öffentliche Gelder) funds of very different nature are often confounded with one another :

1) the resources, properly so-called, of the Reich and of the States, derived from taxation (Treasury funds, surpluses);

2) the resources of the Postal Administration, which chiefly consist of the deposits of individual holders of Postal Cheque Accounts;

3) the resources of the public industrial undertakings which represent the working capital or the profits.

It may be admitted in principle that the funds of the first category - the present plentiful supply of which is moreover very exceptional and is due to the taxes levied on commerce generally - must be refunded to the latter to the greatest extent possible and in the most appropriate manner; the question of the profit to be obtained is only of secondary importance, and it is normal and right that the Reichsbank, which is responsible for the steadiness of credits, should exercise an extensive control over their use.

The case is slightly different with the funds coming under the second and third categories. Here the State is entitled to profit by its money as any bank or industrial concern may do, subject of course to the security which it must accord to funds belonging to the general public.

As is the case with the other banks of issue, the

Reichsbank does not as a general rule pay any interest on the monies deposited with it; these deposits are cover or transfer funds not investments, even at short term. It is true that in the case of the funds deposited by the Postal Administration, which represent a fairly stable capital, the Reichsbank has found a pretty solution by which it re-discounts its own bills, thus securing sufficient returns for the Postal Administration, and at the same time an extension of its control of the money market. It can be imagined that the Reichsbank may generalise this procedure, but this would be at the expense of one of its essential characteristics, that of being the Bank of Banks.

XIII. <u>Rôle of the Reichsbank.</u>

The Reichsbank controls credits much less by concentrating within its portfolio the discounted bills, than by its discount rate, by the quantity of media of payment which it circulates, and therefore by the facilities for re-discounting which it offers to the banks. It re-discounts their bills, but a rediscount of its own bills can never be anything but an exceptional measure.

The same may be said of an exaggerated concentration of funds at the expense of deposit banks. In order to succeed in dominating the market, the Reichsbank would lose control of it, which control depends on the division of labour between itself and the banks. Before the war it had only 800 millions "creditor" accounts to show against the banks' 9.6 milliards for "creditor" accounts : if we estimate the

amount of "creditor" accounts in the banks at 4 milliards at the outside, (on December 31, 1924 the 7 big banks in Berlin showed a figure of 2 752 millions for "creditor" accounts), the Reichsbank with its 992 millions of liabilities (Verbindlichkeiten) - half of which certainly apply to the Reich - has to-day considerably gained in importance.

As for the public banks, the balance sheets of two only are public property, namely of the Girozentrale and the Reichskredit A.G. On December 31, 1924, the Girozentrale had 189 millions against its "creditors" accounts, the Reichskredit A.G. 335 millions. The total of all the funds at their disposal cannot exceed 1 milliard, more than 200 millions of which are devoted to the discounting of the E.Treasury Bonds, and approximately 300 millions are used for agricultural loans (loans of the Rentenbanktreuhandstelle : monies belonging to the Postal Administration, placed at the disposal of the Girozentrale and the Preussenkasse). If account is taken of the real clients of the banks (communes, savings banks, etc.) and of the latest agreements come to between the Reichsbank and the Deutsche Verkehrs-Bank, one is led to observe that the bulk of the funds remaining liquid does not exceed the current requirements of the market, and in any case gives no cause for uneasiness. Certain financial circles were even made uneasy by the recent measures taken to assure the concentration of the means of credit under the administration of the Reichsbank; they began to wonder if the shortage of capital

remaining available on the Bourse had not been pushed too far, and if the security market would not be hampered as a result: the rate for money at sight does not so far seem to justify these fears.

XIV. Facilities offered by the public banks for discounting Treasury Bonds.

We have seen that the public banks, the Reichskredit A.G. and the Girozentrale have discounted many of the E. Treasury Bonds. The question arises whether the Reich, which, according to the new Reichsbank Law, has scarcely any facility for receiving discount from the latter, might not be tempted to abuse the authority it exercises over the public banks in order to make them accept its bills. So long as the Reichsbank uses the printing press to the extent allowed under its Statutes, and can restrict or expand credits at will, there would not appear to be any danger. The discounting of the Treasury Bonds to which we have drawn attention, was chiefly effected by means of the public funds available; the money of the Reich was used to a great extent to discount the Bonds of the Reich. As these resources are becoming exhausted, the Reich will, like all borrowers, find itself at the mercy of the market, and will receive credit to the extent in which it inspires confidence.

XV. Conclusion.

From the above remarks it can be seen that the extravagant and disorderly position of the credit market and the importance assumed by the public banks, which is out of all

proportion to their rôle, are a result of the crises of inflation and stabilisation. From now onwards the causes which brought about this state of affairs, are tending to weaken and to disappear. Present conditions, strengthened by the action of the Reichsbank during recent months, are gradually putting each person and each thing in its proper place, and there is no reason to fear for the future that any lasting menace to credit and currency stability will arise from this quarter.

(Signed) L. GAILLET-BILLOTTEAU.

From the French : Translated - CFH : Checked - RB.

Annex to DOC. 75.

REICHSKREDIT-GESELLSCHAFT.

The R.K.G. is a banking undertaking of the Reich, which owns all the shares. It was originally founded in June 1919 as a limited liability company, with the title of Reichskredit-und Kontroll-Stelle. In September 1922 its title was changed to R.K.G., and in June 1924 it was transformed into a joint stock company with a capital of 30 million R.M. (Profits made by the Bank between 1920 and 1924 represent the greater part of this capital of 30 million.) The entire amount of the shares are held by the United Industrial Enterprises Ltd. (Vereinigte-Industrie-Unternehmungen A.G., known as the VIAG.), a holding company of which the Reich is the sole shareholder, and which groups together all the industrial undertakings of the Reich.

II. It was originally founded to act as a bank for the undertakings of the Reich; but its banking activity was gradually extended to the general public and particularly to the provincial banks, which could not obtain the credits they required with the big banks. As a result, there was a certain competition between the provincial banks and the R.K.G., which was increased by the fact that the R.K.G. as a State undertaking was up to that date exempt from the Companies' Tax *. The negotiations which took place with a

* The new Company Bill contains no exemption provision.

view to bringing the R.K.G. into the consortium of Banks (Stempelvereinigung) led to no result, but it did adopt more or less the same regulations as the consortium, with slightly higher rates than those of the Seehandlung.

III. The first balance sheet, published December 31, 1924, shows that considerable business was done. There is a turnover of 382 millions, the chief items being as follows:

Assets.		Liabilities.	
In public funds and with the Reichsbank	31.5	Capital	30.-
In Banks	57.-	Reserve fund	5.6
Drafts and discounted Treasury Bills 167.-		Oustanding credits..	335.-
Outstanding debts (of which 102 millions were covered by collateral) 108.-		Profits	4.6

Contrary to the usual practice in the case of private banks, "Outstanding Credits" include a very high proportion of long term money. Out of the 335 million under this head, 104 are for less than 7 days, 44.4 are for between 7 days and one month, and 186.6 or more than half are for more than a month. A considerable amount of its available assets (nearly 100 millions) was devoted by the R.K.G. to the discounting of E. Treasury Bills, the total of which, as is generally known, is 317 millions, repayable by instalments up to July 1, 1926. 143 millions worth of these Bills

was used to compensate the Ruhr industrialists.

77 per cent of the available assets (including drafts) are in a liquid form. The dividend has been fixed at 6 per cent (1.8 million), and the reserve fund has been increased to 8 millions.

IV. Its relationship with the Reichsbank is that of an ordinary bank with a central issue bank. The Vice-Chairman of the Reichsbank-Direktorium, Herr Kauffmann, recently resigned his seat on the Board of the R.K.G., as the members of the Reichsbank-Direktorium are not allowed to hold any salaried post in another Bank. Latterly the R.K.G. has been devoting its attention to developing the private discount market, but without conspicuous success. As has already been mentioned, the funds of the R.K.G. deposited with the Reichsbank, the Posts and the Girozentrale (Savings Banks) amount to 31.6 millions.

V. The business of the Bank appears to have developed in a new direction since the beginning of the year. There was an increase in the sums put on the market and in the discounting of E. Bonds. The Bank is also dealing more and more in foreign credit business.

VI. The offices of the Bank are at 21/22 Behrenstrasse in a building which belongs to it.

The Board of Directors is as follows: Herr Albert, former Minister of the Reich, Chairman; Herr v.d. Porten,

Managing Director; Geheimer Regierungsrat Gassner; Herr Henrich, Managing Director; Herr Jahncke, Director; Herr Kobner, Ministerialrat; Herr Norden, Geheimerrat; Dr. Schoeffer, Ministerial Director; Ministerialrat Dr. Schippel.

Three officials on the Board represent the financial administration. The VIAG, which holds the shares of the R.K.G., has the same Chairman, Herr Albert, while Ministerial-director von Brandt, Head of the 5th Section of the Finance Ministry, is Vice-Chairman.

VII. In view of the amount of its business (its turnover in 1924 exceeded 16 milliards and its balance sheet is more than double that of the Handelsgesellschaft), the part played by the R.K.G. on the Berlin market is an important one. Its general activity has been greatly extended, and the business done with banks and private customers is very much in excess of that done for account of the Reich and State undertakings. It appears to have had no connection with the affairs which were recently before the courts and in the public eye, and its business appears to be managed in a way which calls for no possible criticism.

From the French : Translated - GL : Checked - RB.

MH.

I.I.9.66.

Doc. 76.

BERLIN, 1 April 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE SITUATION OF THE REICHSPOST.

A Speech by Herr Stingl,
Minister of Posts of the
Reich, on 24 March 1925.

The Minister of Posts of the Reich, Herr Stingl, delivered to the Managing Board of the Reichspost a speech, of which we reproduce below the principal passages (according to the Zeit of 25 March 1925). The agenda for the Meeting of the Managing Board included the fixing of a supplementary vote for the financial year 1924 and of the provisional estimates for 1925.

"We have reached the end of the financial year 1924 and find ourselves at the same time at a turning point of the modern evolution of the German Reichspost. In fact, the year 1924 marks the end of the first year of application of the Law on the Finances of the Reichspost (Reichspostfinanzgesetz). Reviewing the period that has just expired, it must be said that the Law on the Finances of the Reichspost has, in general, completely fulfilled our expectations. The income of the Reichspost shews a satisfactory increase for the present financial year.

"The Reichspost was able to decide upon considerable reductions in rates and to contribute in this way to the general reduction in prices.

"As regards expenditure, the first point was to make good as far as possible the enormous losses sustained by the Reichspost during and after the War, and, consequently, to place the new Administration on a sound working basis. It has been possible to cover the entire expenditure from the working income.

"In addition, certain particular expenditure has been incurred. For example, the debt to the Reich dating from an earlier period has been paid off. The surplus of the German Reichspost for 1924 is estimated in the provisional budget at 29 millions and will certainly be realised.

"The financial position of the postal administration has improved under the application of the Law on the Finances of the Reichspost. We were able to summon the Organising Committee (Arbeitsausschuss) and the entire Managing Board whenever we considered necessary. We were also able to adapt ourselves to the transport situation which often changed very rapidly and to make the most of circumstances. This is the only way in which it was possible to make ends meet with the estimates which had been drawn up a long time before, according to regulations, by the Managing Board. In particular, we are independent of the vagaries of home politics. I have particular pleasure and satisfaction in expressing to the Managing Board and the Organising Committee my gratitude for their work. I think it essential to state at this point that these organisations have rendered very real service. The Managing Board has by no means agreed to all the demands of the Postal Administration without further formality, and has not confined itself to approving its point of view on every occasion. Sometimes, every one of the items on the agenda has been the subject of profound discussion.

"May I add a word on a question which has been raised more than once: Will the Reichspost be in a position to transfer surpluses to the general funds of the Reich and, if so, when ? Under the Law on the Finances of the Reichspost, any surpluses realised are in the first place transferred to the reserve fund. Not until this fund has reached half the amount prescribed will it be possible, under the legislation at present in force, to consider any transfer to the Reich. But, we are fully conscious of the fact that the Reichspost, even since the application of the law on its finances, remains an Administration of the Reich and, as such, an integral part of the Reich.

"Nevertheless, the Reichspost is not simply a financial institution run for profit; it is an institution entrusted with a civilising mission of supreme importance, and ought to include certain branches from which the profits are nil; it has, in the highest sense of the word, economic purposes to fulfil. In principle, it refuses to follow a policy of hoarding, if the Reich is in distress.

"The new estimates for the Postal Administration have been for the first time framed in such a way that the results form the basis for the drawing up of profit and loss accounts and balance sheets like those kept by business houses. In general, the letter post does not at present yield any surplus. The parcels post is pretty much what it was before the war. It is true that the postal cheque business, owing to the reduction in the charges for cheques as from 1 January 1925, shews a reduction in its receipts, but generally speaking it covers its expenditure.

Telegrams, as a result of the reduction in the charges as from 1 January 1925, have brought in 15 million marks less than the preceding year and constitute a loss; the telegraph service will have to be completely re-organised if it is to yield a profit.

Wireless telegraphy, which has been in existence only for a short time, is developing satisfactorily; the net profit realised from it by the Postal Administration does not, however, amount to more than about 6 million marks a year. "

At the close of the meeting and after Herr Stingl's speech, the Managing Board proceeded to discuss a proposed reduction in the postal rates and in the postal regulations. Only one provision is of importance, namely that under which the postage for newspapers not published frequently, the charge for the conveyance en bloc of small newspapers and the charge for the distribution of newspapers should be reduced, so as to encourage the smaller newspapers.

The proposals in question were approved; the reduced rates will come into force on 1 April 1925.

From the French
Translated - JMP.
Checked - NL.

DR.

I.I.9. 301 Doc. 77.

BERLIN, 3 April, 1925.

TRANSFER COMMITTEE.

ECONOMIC SERVICE.

EXTENSION UNTIL 30 SEPTEMBER 1925 OF THE FINANZAUSGLEICH (ARRANGEMENT WITH REGARD TO THE DISTRIBUTION OF REVENUE) BETWEEN THE REICH, THE STATES AND THE COMMUNES.

(See Doc. No.69).

Doc. No. 69 dealt with the principal provisions of the financial arrangement between the Reich, the States and the Communes, which according to the Law of 23 June 1923 was to expire on 1 April 1925. Doc. No. 69 also mentioned the modifications proposed by the Government.

In virtue of a Law of 26 March 1925, published in the Reichsgesetzblatt of 31 March 1925 (I. page 29), the present procedure, as established by the "Landessteuergesetz" and the Third "Steuernotverordnung", will remain in force until 30 September 1925.

M. H.

From the French
Translatod - GFH
Checked - RB
QW.

I.I.9.3423 DOC. 78

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, April 24,1925.

THE NEW BILLS ON THE REVALORISATION OF PAPER MARK DEBTS

(See Doc. No.61)

On March 26 1925, the Government submitted two Bills to the Reichsrat:

(1) ON THE LIQUIDATION OF PUBLIC DEBT IN PAPER MARKS

(2) ON THE VALORISATION OF MORTGAGES AND OTHER CLAIMS UNDER PRIVATE LAW.

The principal provisions of the Bills are discussed below.

BILL FOR THE LIQUIDATION OF PUBLIC DEBT IN PAPER MARKS.

I. Liquidation of paper mark Loans of the Reich.

1. The new Liquidation Debt of the Reich.

All paper mark loans of the Reich are converted into a "Loan Liquidation Debt" (Anleiheablösungsschuld des Deutschen Reiches).

The Loans in the sense of the Law are -

(a) scrip, stock and Treasury Bonds of the Reich;

(b) debts of the States taken over by the Reich under the Treaty with regard to the taking over of the Railways;

(c) debts declared by the Finance Minister with the assent of the Reichsrat to be loans in the sense of the Law.

The new Liquidation Debt is denominated in Reichsmarks and bears no interest until such time as the Reparation liabilities have been entirely met (which date will be fixed by law). The holders of the debt cannot demand repayment thereof.

The old paper mark debt is transformed into scrip of the Loan Liquidation Debt in accordance with the following principles:

2 000 marks nominal of the 1919 Premium Loan,

1 000 marks nominal of the other paper mark loans for respectively 50 marks of the new Debt.

The Treasury Bonds in paper marks issued in compensation for war damages are exchanged at 5 per cent of their gold value. (In the case of non-interest bearing Bonds, the value is based on the rate of the dollar at the time they were issued. For the 1923 "K" Bonds, the rate of the dollar is fixed at 1 823 359 paper marks, and for the 1924 "K" Bonds at 9 895 663 414 paper marks).

The following are excluded from conversion:

(a) the scrip of the Forced Loan of 1922 (repayable at their nominal value until September 30 1925);

(b) the non-interest-bearing Treasury Bonds (with the exception of the Bonds issued in compensation for war damages);

(c) Reichskassenscheine;

(d) Darlehnskassenscheine.

2. Rights of old holders.

The "old holders", by which term is understood those persons who held scrip before July 1 1920, are entitled to special advantages. They are entitled

(a) to receive an annuity (Anleiherente) as being holders of the Loan;

(b) to participate in the drawings in amortisation of the new Loan Liquidation Debt;

(c) to receive a preferential annuity (Vorzugsrente) if they are old holders of war loans, and are in necessitous circumstances.

A. The Loan annuity is granted upon request. The rate is fixed at 5 per cent of the nominal amount of the new Loan Liquidation Debt. It will be paid annually at the close of each year during the years 1926, 1927 and 1928. The payments will be continued for the three following years (1929, 1930, 1931) in so far as the financial position of the Reich permits.

B. The new Loan Liquidation Debt is amortised by drawings (at par with premiums). Amortisation is effected up to 5 per cent per year of the amount of the debt to be extinguished.

The total expenditure for this purpose (amortisation and Loan annuities) must not exceed 100 millions per annum. Amortisation will take place in the first instance during the financial year 1926. It may be suspended, should the financial position of the Reich so require.

C. In necessitous cases (incomes under 600 marks per annum) the old holders of war loan are entitled to a preferential annuity equal to 8 times the amount of the Loan annuity (maximum 600 marks per annum). In such cases, the Loan annuity is not granted.

3. Sinking Fund.

In order to strengthen the service and amortisation of the Loan Liquidation Debt, a "Special Loan Fund" (Anleihesonderfonds) is to be established. It will be formed out of -

(a) half the dividends paid to the Reich in its capacity as shareholder of the Reichsbahn, for the duration of reparation liabilities;

(b) the sums paid by the States in virtue of the special agreements for the service of their debts concluded at the time when the debts were taken over by the Reich.

The object of this Special Loan Fund (Anleihesonderfonds) is -

to reimburse to the Reich the expenditure incurred by the latter out of Budget funds in previous years for the service of interest and sinking fund;

to enable the service of the "Loan Annuities" to be maintained, should the latter have been suspended owing to the financial position of the Reich;

to accelerate the amortisation of the Loan Liquidation Debt by drawings by lot.

The balance of the Fund will be employed to effect supplementary amortisation by repurchase or by drawings.

II. LIQUIDATION OF THE DEBTS OF THE STATES AND THE COMMUNES

The paper mark debts of the States and the Communes must be transformed into new Loan Liquidation Debt. The rate of conversion is fixed at 5 per cent (1) of the gold value of the scrip at the moment of its issue. In the case of loans issued prior to January 1 1919, this gold value is equal to their nominal value. With subsequent loans, this gold value is calculated at the rate of the dollar at the moment of their issue.

The new Debt is denominated in Reichsmarks. The sums set aside for the service of interest and amortisation at par must amount to a minimum of 5 per cent, and a maximum of 10 per cent, of this new Debt. This expenditure may be suspended during the period of reparation liabilities, if the financial position of the States and the Communes so requires.

III. SPECIAL EXTRAORDINARY SUBSIDY.

The Finance Minister is authorised to set aside 150 million Reichsmarks -

(a) for the repurchase of "Loan annuities" from the public Savings Banks or social insurance institutions:

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(1) The States and the Communes have the right to reduce this rate in cases where the holders have purchased their scrip after July 1 1920.

(b) for effecting reimbursements to necessitous persons, whose old holdings of War Loan amount to less than 1 000 marks;

(c) to accelerate amortisation by drawings by lot.

BILL CONCERNING THE VALORISATION OF MORTGAGES AND OTHER PRIVATE CLAIMS.

The provisions of the Third Steuernotverordnung which regulate the valorisation of mortgages and private claims were discussed in Doc. 61. We give below the modifications made in these provisions by the new Bill.

1) A supplementary valorisation of 10 per cent is added to the general valorisation of 15 per cent for mortgages, ground debts and claims with collateral, when the value in gold marks of these claims does not exceed half the value of the property. The value of the property is generally taken to be the value which served as a basis in estimating the Wehrbeitrag (extra-ordinary levy towards armaments of 1913).

2) The rates of interest due on all valorised claims is altered in favour of the claimants as follows:

Present rates		Rates proposed	
2%	commencing Jan. 1 1925	2%	commencing Jan. 1 1925
3%	" " 1 1926	4%	" Apl. 1 1925
4%	" " 1 1927	5%	" Jan. 1 1926
5%	" " 1 1928		

The rates given above are applicable to all claims valorised up to and including 15 per cent. That part of the claims which represents the supplementary valorisation of 10 per cent bears no interest until January 1 1928. After that date, interest will be settled by special agreements (maximum of 5 per cent).

3) Payment of the capital amounts of the claims valorised at 15 per cent may not be demanded before January 1 1932 or, in the case of that part of the claims which represents the supplementary valorisation of 10 per cent, before January 1 1940.

4) Creditors who accepted payment after December 31 1922 are accorded special advantages. Even where they did not reserve their rights when accepting payment, they are entitled to half the valorised amount generally granted.

5) The method of determining the gold value of the amounts to which the claimant is entitled, has been modified. In the case of claims acquired after December 31 1917 this gold value is fixed in accordance with a table annexed to the Bill. The value of the gold mark is no longer calculated on the rate of the dollar on the Berlin Bourse, but on an average index figure based on the rate of the dollar and the index figure for wholesale prices. This method of calculation results on the whole in favour of the claimants.

Other modifications of minor importance are introduced by the new Bill (option accorded to the debtor to effect anticipatory reimbursement, etc.) No modifications are introduced in respect of the valorisation of debentures and bonds (valorisation of 15 per cent).

It seems possible to give a rough estimate of the capital amount of the Public Debt, valorised in conformity with the provisions of the first mentioned Bill, together with the expenditure to be incurred on account of the granting of annuities to old holders of scrip of the Public Loans.

1. Estimate of the amount of the Public Debt (valorised capital) -

	Amount of the valorised debt. (millions of gold marks)
a) Public Debt (pre-war loans, war loans, etc.) approx. 70 milliard paper marks valorised at the rate of 5 per cent	3 500.--
b) 1919 Premium Loan, 3.84 milliard paper marks, valorised at the rate of 2-1/2%	96.--
c) 1923 "K" Bonds, 4 394 milliard paper marks, valorised at the rate of 5 per cent (calculated on the gold value of the bonds 1 dollar = 1 823 359 paper marks)	0.5
d) 1924 "K" Bonds, 818 501 milliard paper marks, valorised at the rate of 5 per cent (calculated on the gold value of the Bonds 1 dollar = 9 895 663 414 paper marks)	0.02
	3 596.5

The capital value of the Public Debt may therefore be taken as approximately 3.6 milliard gold marks, to be valorised in accordance with the provisions of the Bill. It must be remembered that payment of the capital of this valorised debt cannot be demanded; nor does it bear any interest until the reparation liabilities have been paid off.

II. Calulation of expenditure involved for the service of the valorised debt, in so far as old holders are concerned, and for the preferential annuities to old holders in necessitous circumstances.

The loan scrip in the hands of old holders is estimated to amount to 20 milliard paper marks. The amount of the debt valorised at 5 per cent is 1 milliard gold marks.

Annual interest on this sum at 5 per cent amounts to	50 million GM.
An equal sum is assigned for amortisation	50 " "
Further, the service of the preferential annuity to old holders in necessitous circumstances calls for expenditure (estimate of the Finance Ministry) of	40 " "
Total of approximate annual expenditure	140 million GM.

The Bill provides, in addition, for an extra-ordinary and non-recurrent item of expenditure of 150 million gold marks to be used for the repurchase of loan scrip held by the Savings

Banks, social insurance institutions and loan holders of amounts under 1 000 paper marks.

(Signed) MARCEL HEROIN.

From the French
Translated - CFH
Checked - RB
EL.

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LIST OF THE DOCUMENTS ISSUED BY THE ECONOMIC SERVICE.

TRANSFER COMMITTEE

ECONOMIC SERVICE

79	Apr. 4, 1925	Law on the Payment of official salaries by quarterly Instalments. Year 1925-1926.
80	Apr. 7, 1925	Law concerning the provisional Budget for the financial year 1925-1926.
81	Apr.15, 1925	The monthly Balance sheet of the Rentenbank as on March 31, 1925.
82	May 2, 1925	The Reichsbank Report for the financial year 1924.
83	Apr.20, 1925	The placing of German mortgage bonds on the American Market.
84	Apr.27, 1925	Receipt of the Reich from Taxation for March 1925 and for the Financial Year 1924-1925.
85	Apr.27, 1925	The movement of funds at the Reichshauptkasse during the month of March 1925.
86	Apr.27, 1925	Return of the Public Debt of the Reich as at February 28, 1925.
87	May 1, 1925	The employment of Public Funds in private business (a paper read by Dr. Schroeder)
88	May 11, 1925	The monthly return of the Rentenbank, Apr. 30, 1925.
89	May 11, 1925	The Memorandum of the Government of the Reich on the proposal to tax Inflation Profits.
90	May 12, 1925	Summary of the Speech in the Reichstag by Dr. von Schlieben (Finance Minister of the Reich) on April 30, 1925.
91	May 14, 1925	Speech made by the Finance Minister before the Budget Committee of the Reichstag.
92	May 15, 1925	The Revalorisation Bills in the Reichstag.
93	May 26, 1925	German Government Memorandum on Staff Reductions in the Service of the Reich.
94	May 26, 1925	The public debt of the Reich as at March 31, 1925.
95	May 26, 1925	The problem of Credit in Germany (Summary of a Lecture delivered by Dr. Hirsch, former Secretary of State, to the Society for Monetary and Financial Reform).
96	May 28, 1925	The Report of the "Deutsche Rentenbank" for 1924.

97	June 3, 1925	The movement of funds at the Reichshauptkasse during the month of April, 1925.
98	June 5, 1925	Receipts of the Reich from Taxation for April, 1925.
99	June 5, 1925	Second Law on the Provisional Balancing of the Budget for the financial year 1925-1926.
100	June 11, 1925	The Monthly Return of the Rentenbank, May 31, 1925.
101	June 15, 1925	Estimate of volume of business done on a basis of the receipts from Turnover Tax.
102	June 17, 1925	Situation in regard to the Public Debt of the Reich as at April 30, 1925.
103	June 19, 1925	The movement of funds of the Reichshauptkasse during the month of May 1925.
104	June 22, 1925	Transitional Tax Law (Steuerüberleitungsgesetz) Regulations for the Income Tax and the Tax on Corporations during 1924 and 1925.
105	July 1, 1925	The Credit Policy of the Reichsbank (a speech by Dr. Schacht).
106	July 2, 1925	Tax receipts of the Reich for May 1925.
107	July 2, 1925	Tax on Motor vehicles.
108	July 3, 1925	Table of sums of sinking fund and interest payable on the various items of the public debt, during the period from July 1, 1925 to Dec. 31, 1927.
109	July 3, 1925	Provisional results of the census of the population of the Reich.
110	July 16, 1925	The position of the Public Debt of the Reich as at May 31, 1925.
111	July 21, 1925	The movement of funds at the Reichshauptkasse during the month of June 1925.
112	July 22, 1925	The returns of the Rentenbank as at June 30, 1925.
113	July 28, 1925	Introduction to the regulations for Deliveries in Kind for the use of French buyers.
114	July 31, 1925	Discount and Currency Policy of the Reichsbank.
115	July 31, 1925	The Statistics of unemployment in Germany.
116	Aug. 3, 1925	Law of July 16, 1925, on the Liquidation of Public Loans.

117	Aug. 4, 1925	Tax receipts of the Reich for June, 1925.
118	Aug. 10, 1925	The establishment of the Rentenbank-Kreditanstalt.
119	Aug. 11, 1925	The policy of the Reichsbank in regard to reserves.
120	Aug. 13, 1925	The Diskonto-Gesellschaft on the Transfer Problem.
121	Aug. 17, 1925	Statement by Geheimrat Kastl on the output and markets of Germany.
122	Aug. 17, 1925	The mining industry of the Ruhr (a memorandum of the "Association of Mining Interests" of Essen).
123	Aug. 20, 1925	The movement of funds at the Reichshauptkasse, during the month of July 1925.
124	Aug. 21, 1925	The Debts of German Agriculture before the war and now.
125	Aug. 21, 1925	The circulation of bills in Germany.
126	Aug. 21, 1925	The Return of the Rentenbank as at July 31, 1925.
127	Aug. 24, 1925	Law of July 9, 1925 on foreign borrowing by Communes.
128	Aug. 29, 1925	The German Mortgage Banks before the war and now.
129	Aug. 31, 1925	The Position of the Mining Industry in the Ruhr.
130	Sept. 10, 1925	The Receipts of the Reich for the month of July, 1925.
131	Sept. 11, 1925	Law on Income Tax (Einkommensteuergesetz) of August 10, 1925.
132	Sept. 2, 1925	The new Taxation Laws.
133	Sept. 14, 1925	Law concerning reciprocal Taxation Rights of the Reich, the States and the Communes, of Aug. 10, 1925 (Gesetz über die gegenseitigen Besteuerungsrechte des Reichs, der Länder und der Gemeinden).
134	Sept. 14, 1925	Law in Amendment of the "Finanzausgleich" (Allocation of Revenue) between the Reich, the States and the Communes of August 10, 1925. (Gesetz über Aenderungen des Finanzausgleichs zwischen Reich, Länder und Gemeinden).

I.I.9. 3142. Doc. 79.

BERLIN, 4 April 1925.

Allied powers (1919-) Reparation commission.

Documents issued by the TRANSFER COMMITTEE

ECONOMIC SERVICE.

LAW ON THE PAYMENT OF OFFICIAL SALARIES BY QUARTERLY INSTALMENTS.

The "Law on the payment of official salaries by quarterly instalments" of 25 March 1925 is published in the Reichsgesetzblatt, part I, No .12, of 31 March 1925.

On and after a date to be fixed by the Government, in agreement with the Reichsrat and the Budget Committee of the Reichstag, salaries and pensions will be paid in advance at the beginning of each quarter. It may, however, be decided that the quarter, in respect of which salaries and pensions are paid, does not necessarily coincide with the quarter of the calendar year, and payments in advance may be restricted to two months' salary or pension.

Payments are arranged for as follows:

3 months in advance: Regular officials whose salary or pension is paid into an account and is not received in cash.

1 month in advance: Soldiers, non-commissioned officers and officials on the supernumerary list (ausserplanmässig) and such persons as prefer to receive their salary or pension in cash.

These arrangements apply to the personnel of the States, the Communes, the Reichsbahn and the Reichspost.

The principle of the payment of official salaries in advance was laid down in the "Law on official salaries" of 30 April 1920. The application of this Law was suspended by the decree of

12 December 1923 (Reichsgesetzblatt I, page 1181).

When this Bill was under discussion by the Budget Committee, the representative of the Finance Ministry gave certain information as to the additional expenditure which would be involved by the application of these new regulations (Reichsanzeiger No.65).

The estimates for this additional expenditure are as follows:

for the Reich	about	180	million RM
for the Postal Administration	"	120	" "
for the Reichsbahn.....	"	180	" "
for the States	"	300	" "
for the Communes	"	180	" "
giving a total of		960	million RM

M.H.

From the French
Translated - GHL
Checked - RB
EF.

I.I.9.3112. DOC. 80.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, April 7, 1925.

LAW CONCERNING THE PROVISIONAL BUDGET FOR THE FINANCIAL YEAR 1925 - 1926.

(see Doc. 59)

The provisional Budget of the Reich for the financial year 1925-1926, submitted by the Government (see Document No. 59) could not be discussed or voted by the Reichstag by 1 April 1925, the date on which the financial year begins. The Reichsgesetzblatt of 31 March 1925 (Part II, page 118) publishes the text of a "Law for the provisional balancing of the Budget for the financial year 1925-1926."

I. Under this Law, the Government is authorised to incur the expenditure necessary for the administration or for the fulfilment of the public duties and obligations of the Reich.

The amount and nature of the expenditure authorised are determined by :

a) decisions of the Reichstag, in respect of the portions of the budget already voted by the Reichstag at the second reading;

b) decisions of the Budget Committee of the Reichstag, in respect of the portions of the budget discussed by that Committee;

c) the draft budget submitted by the Government, for

the expenditure relating to one quarter only, in respect of the portions of the budget not yet submitted to the Reichstag Committee for discussion.

Any increase in the expenditure voted by decisions of the Reichstag and the Budget Committee must be approved by the Reichsrat.

No expenditure contrary to decisions of the Reichstag or of one of its Committees can be incurred.

II. The Law authorises the Finance Minister to have recourse to loans up to the following sums :

a) RM 100 millions to cover extraordinary expenditure;

b) RM 150 millions to replenish the working funds of the Reichshauptkasse.

III. The Law contains, further, various provisions on the conditions of advancement for Government officials, the right of expropriation of the President of the Reich in respect of work on navigable waterways etc.

M.H.

From the French. Translated - JMP. Checked - RB.

MdeJB.

I.I.9.4133 Doc.81

BERLIN, 15 March 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE MONTHLY BALANCE SHEET OF THE RENTENBANK AS ON 31 MARCH 1925.

(See Doc. N°.62)

The following is the comparison between the balance-sheet of the Rentenbank as on 31 March 1925 and the balance-sheet as on 28 February 1925.

	Balence-sheet as on 31 March 1925	Difference (+ or -) as compared with balance-sheet as on 28 February 1925.
A S S E T S:		
Charges on German Industry	2 000 000 000	-
Amount of Rentenbriefe as on 28 Feb.1925: 1 999 844 000 31 March " : 1 999 844 000		
Loans to the Reich	1 186 666 667	
Outstanding credits	780 334 583.57	
Cash in hand, transfer (Giro) accounts, Postal cheques and Bank assets	203 150 907.94	- 2 878 951.38
Office furniture and supplies	80 111.46	+ 3 916.30
Miscellaneous assets	-	-
L I A B I L I T I E S.		
Capital	2 000 000 000	-
Reserve	-	-
Rentenbank notes in circulation	1 911 236 735	-55 608 515
Rentenbriefe in circulation	156 000	~~-156 000~~
Redemption of rentenmarks in conformity with § 7 c of the Law on the liquidation of Rentenbank Notes	55 608 515	55 608 515
Miscellaneous liabilities	550	- 525

"Outstanding credits" show no difference as compared with the balance-sheet for February. But the composition of the item has changed. The Reichsbank has repaid, in agricultural bills, a further instalment of its debt; the debt of the banks from whom the Reichsbank received these bills for discount has increased by the same amount.

The share of the Reich in the profits of the Reichsbank for the financial year 1924, namely M.55.6 millions has been paid into an account "Redemption of Rentenmarks" (§ 7 c of the Law on the Liquidation of Rentenbank notes).

The circulation of Rentenmarks has been reduced to the corresponding extent. In view of the fact that, according to the balance-sheet for November 1924, the Reichsbank already paid back to the Rentenbank M.100 millions in cash, and that according to the balance-sheet for February 1925, Rmk. 13 333 333.33 were paid into the Rentenmark Redemption Fund, in comformity with § 7 b of the Law on the Liquidation of Rentenbank Notes, the circulation of Rentenmarks has, since 11 October 1924, the date of the coming into force of the Law in question, been reduced by Rmk 168 941 848.

From the French
Translated - JMP
Checked - RB
GS.

I.I.9.411 Doc. 82.

BERLIN, 2 May 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE REICHSBANK REPORT FOR THE FINANCIAL YEAR 1924.

The Report of the Reichsbank for the year ended December 31, 1924, contains a general statement of the activities of the Bank during the period in question. A translation of this report is given below. A summary of the explanations of the various items and of the balance sheet for the end of the year 1924 and of the Profit and Loss account are annexed.

The general statement in full is as follows -

With the stabilisation of the currency and the restoration of order in the national finances, the recovery and revival of German economic life as a whole made marked strides in the year 1924. Business activity, for which in the inflation period there was at the end scarcely any solid justification at all, was able to find its footing once more, and that with comparative rapidity and in a degree which was frequently astonishing. The possibility of once more calculating with a serviceable monetary unit reduced the risk and expense in trade and commerce, though the process of breaking with the unsound habits acquired during the period of inflation involved certain difficulties. The practice of saving and the process of creating fresh capital were resumed gradually in the course of the year. In spite of the numerous phenomena of crisis, which determined the conditions of production and of markets, in particular foreign markets, in respect of prices, the money market, the supply of capital and the labour market, confidence that the general improvement had come to stay grew with the evident, if still slight success achieved in the field of politics both at home and abroad.

The disastrous depreciation in the value of the mark in 1923 ate up practically the whole of what liquid capital was still left from the war and the post-war period, and led to the tying up of business capital to a degree which was in many respects undesirable, so that at the beginning of the business year the demand for money and capital on the part of the recovering German business world was out of all proportion to the available supply. As the sources of money of all kinds were insufficient to meet the demand except in the smallest degree, the rate of interest remained extraordinarily high, in spite of the stabilisation of the currency. The Reichsbank was faced, in respect of its currency and credit policy, with entirely new and extremely difficult problems. The necessity of maintaining the stabilised rate of the currency made it essential to reform and to unify the currency conditions, and in particular to get rid of the large quantities of emergency money bequeathed to the country by the inflation. This task, together with the withdrawal of the small Gold Loan notes from circulation, was accomplished by the end of May. On the other hand it was necessary to take into account the fact that in view of the shortage of money it would be impossible for the economic life of the country to continue without the support of the Reichsbank: for which purpose the Bank had to find methods of giving credit which would exclude without fail the possibility of a return to the inflation conditions of the previous year. The quotations of the mark on the foreign Bourses and the level of prices at home had constantly to be watched with the greatest care, so as to be able to nip in the bud any and every inflationist symptom, and to maintain the stability of the mark. The Reichsbank was obliged to restrict its credits to the minimum necessary to the existence of industry and trade and at the outset especially to restrict the far-reaching demands of these

latter in favour of agriculture and exports. Eventually it was compelled on 7 April 1924 - a fall in the mark against foreign currencies having begun in February and March to make itself apparent - to restrict the further discounting of bills in the interests of the national currency. The total of bills discounted on the date in question (7 April 1924) was taken, and for a long period continued to be taken, as the maximum limit for the credits of the Reichsbank, the available total sum being strictly rationed between the several applicants. The policy of the Bank had the success which was hoped for from it. To acquire the necessary working capital, firms disposed of a great part of their stocks of goods and foreign exchange, with the result that the level of prices dropped considerably. It was possible gradually to increase the allotments in the distribution of foreign exchange, which had had for a time to be cut down in the case of the principal currencies to as little as 1 per cent of the amounts demanded. It was not until 3 June 1924 that it was possible fully to satisfy all the demands for foreign exchange; but since that date they have been uninterruptedly satisfied. The undesirable practices which had grown up in connection with the traffic in foreign exchange (application by groups and the like) were at the same time eliminated, and with them the measures which the Reichsbank had been compelled to take to guard against them (for instance the demand for the preliminary production of the equivalent of the foreign exchange applied for, and the exclusion from the credit, giro, or foreign exchange transactions of persons contravening the rules).

In spite of the indisputable success of the policy of the Bank, it was not yet possible, having regard to the general situation on the money and capital market of Germany at the time, with the reform

of the currency and of the note issue still incomplete, to modify the credit policy of the Bank. The level of prices and the rates of interest, coupled with such undesirable phenomena as the effects of the speculation in the franc, had still to be watched with the greatest care. In order further to restrict the use of goods as collateral and to bring down the high prices resulting, the Bank had introduced certain restrictions on loan transactions. The Decree of 17 March 1924 (Reichsanzeiger No.75 of 28 March 1924), providing for the closing of the Darlehnskassen of the Reich as from 30 April 1924, was a result of its efforts in this connection. At the very outset of the year, the Management of the Bank devoted especial attention to the reduction of the rate of interest and bank charges and to the employment of liquid public funds, with a view to assisting in the creation of a credit market on a wider basis outside the Reichsbank. In particular it sought, by minute negotiation with every kind of Bank or other institution engaged in money transactions, to bridge the difference between the respective rates of interest on money borrowed and on money loaned, in order to bring the charges on credit transactions outside the Reichsbank more into line with the low rates of the Reichsbank itself. The Bank accordingly reduced the minimum balances allowed in its own giro transactions to 100 Rentenmarks (or Billion Marks) in most cases. As regards its efforts to regulate on economic principles the administration and employment of monies accumulated under the operations of the Law, or monies (such as the funds of the savings banks and insurance companies) which had always been subject to some measure of State control, great difficulties were encountered, the former rigid rules for the employment of such funds having in many cases been abandoned or not enforced (either by legislation or by administrative action) during

the inflation period, in order to enable the concerns to maintain their capital intact. There was further a general tendency after the inflation to attempt to compensate for the capital losses sustained by loaning money on the most immediately advantageous terms, often at the expense of the community as a whole. Although many people realised how sound the continued warnings of the Reichsbank were, in practice people were slow to act on them.

As all credit transactions, not only at the Reichsbank but also at the other banks, ran the risk of being hindered, or even brought to a standstill, by excessive resort to the in itself beneficent institution of Geschäftsaufsicht (supervision by a Receiver, without legal bankruptcy), it seemed expedient to legislate against exaggerated and abusive recourse to such procedure (Decree of 14 June 1924, Reichsgesetzblatt I page 641). In general it may be said that the economic losses resulting from bankruptcy during the year dealt with in this report should not be exaggerated. More than three quarters of the concerns in question were founded only during the inflation period. There were comparatively few cases of bankruptcy amongst firms of older standing. More than half the failures were firms engaged in the distributing rather than the manufacturing industries. The number of such distributing agencies was indeed inordinately swollen.

The policy of the Reichsbank led in the summer months (in conjunction with the hopes generally aroused by the acceptance of the Dawes Plan) to a considerable strengthening of the position of the Bank, with the result that it was possible to introduce measures of relief in the matter of credits, in which respect the Bank was proceeding hand in hand with the Government. The discount maximum was increased by 10 per cent, and the use of goods as collateral

was allowed. After a long period during which only commercial bills at 6 or 8 weeks at the most had been purchased, bills at 3 months and - with a view to the reconstruction of a private discount market - bank acceptances were accepted for discount, though at first only in small and strictly controlled amounts. With the same object the Reichsbank agreed to rediscount for the Seehandlung (Prussian State Bank), which enabled the latter to make available for trade and industry the large amounts of day to day money on the market. In the interests of the export trade the Reichsbank lowered its rates for discount of foreign bills, and reduced the discount rate of the Golddiskontbank (the management of which is in the hands of the Reichsbank) from 10 to 8 per cent.

The far-reaching assistance (going far beyond the ordinary functions of the Bank) which the Reichsbank extended to the agricultural interest in the early part of the year was clearly not such as could be continued indefinitely without endangering the currency. Moreover the Experts responsible for drawing up the Dawes Plan were anxious to see the Reichsbank freed as soon as possible from these credits. The attempts of the Management of the Bank to put an end to them, and to make provision elsewhere for the long-term credits which are indispensible to the agriculturalists, began early. Great difficulties were naturally encountered, as with the high rates of interest still prevailing any attempt to build up a capital market capable of holding its own, or indeed any proposal for the loaning of capital for long periods, met with the greatest opposition after the unhappy experiences of the inflation period and in view of the lack of capital. The efforts of the Reichsbank were first directed towards diverting capital (such as the funds of the Savings Banks, the State Cash Offices, and public and private insurance institutions) which before the war was employed, on the initiative of those

disposing of it or under legal compulsion, for long term investments, and in particular mortgage investments, once more into the same channels. The co-operation of the Reichsbank in the creation of the so-called Rentenbanktreuhandstelle (Trustee Office of the Rentenbank), which is later to be converted into a credit institution with the express purpose of granting long-term credits to agriculture, should also be mentioned here.

The realisation of the so-called Dawes Plan very greatly assisted the policy of the Reichsbank.

Almost simultaneously with the creation of the Rentenmark, the Entente Powers began to realise more fully that their policy of military handling of economic questions would never lead to any positive results, still less to a satisfactory solution of the reparation question. As far back as 30 November 1923 the Reparation Commission had appointed the Experts' Committee, which afterwards became so well-known as the Dawes Committee, to find ways and means to restore and maintain on a permanently healthy footing the currency and finances of Germany. The situation had already begun to improve with the introduction of the Rentenmark. The realisation of the Dawes Plan is designed to secure such improvement, and to lay the required solid foundation for the process of stabilisation.

The actual work done by the Experts' Committee comes within the year 1924. One of its first acts was to invite the President of the Reichsbank to come to Paris to discuss the monetary measures necessary. The problem was, how to assist the Experts in their desire to put the German finances on a permanent footing in such a way as would give the management of the Reichsbank as much practical support as possible, without prejudicing the independence of the Bank. The goal kept in view was the return to a gold currency in as short a time as possible.

As however it was clear that it would require time to introduce the Experts to the (to them entirely foreign) conditions ruling in Germany, and the date at which the Experts' Plan would come into force was uncertain, the Reichsbank took the view that it ought to act on its own initiative in order to assure the policy of stabilisation. By the Law of 19 March 1924 (Reichsgesetzblatt II page 71), which was passed as a result of its suggestions, it therefore founded the Golddiskontbank, which supplied German trade and industry with important amounts of gold capital, from its own funds and from rediscounts in foreign countries, thus considerably alleviating the credit and currency position. The maximum total amount supplied by the Golddiskontbank on one date - 23 August - worked out approximately to 14 million pounds sterling.

The original capital of the Bank consisted of £10,000,000 sterling, of which £5,000,000 (Group A shares) were taken over by the Reichsbank and the remaining £5,000,000 (Group B shares) by a consortium including almost all the German banking houses. The subscriptions were paid in foreign currency, 100 per cent of the nominal value being paid up in the case of the Group A shares, and 25 per cent for the time being in the case of the Group B shares. The Bank of England proved accommodating and gave the Reichsbank credit for five millions sterling to enable it to meet its payments. The intention from the outset was to liquidate the current business of the Golddiskontbank upon the creation of the final Bank of Issue. This was to a great extent carried out before the close of 1924. The Group B shares of the Golddiskontbank which had been taken up by the consortium were transferred to the Reichsbank during the first week of January 1925, the members of the consortium being entitled to new Reichsbank shares bearing interest as from 1 January 1925, for the amount of the gold payments originally made by them.

The new bank law of 30 August 1924 (Reichsgesetzblatt II page 235), in conjunction with the coinage law passed at the same date (Reichsgesetzblatt II page 254), the law on private banks of issue (Reichsgesetzblatt II page 246), and the law liquidating the Rentenbank (Reichsgesetzblatt II page 252), made it possible to render effective the desired restoration of the gold currency and the creation of notes adequately covered by gold or foreign currency. All the legislation required did not it is true come into force until 11 October, with the Decree of 10 October 1924 (Reichsgesetzblatt II page 383), as the negotiations were only concluded at this date in respect of the 800 million gold mark loan to be accorded to the Reich, which loan formed a very important part of the whole Dawes Plan, and consequently of the proposed reform of the currency and the reconstitution of the bank of issue.

The loan was not only of importance to the currency as a means towards strengthening the bank-note cover, but also for the further development of the entire economic life of Germany. For the successful conclusion of the 800 million loan cleared the way for a series of private foreign credits, which had already formed the subject of negotiations in the preceding months, but had been made dependent in most cases on the successful floating of the loan of the Reich. There can be no doubt as to what the influx of foreign capital in this form meant for the restoration of Germany's economic position. It is true, from the currency and credit point of view, these transactions require just as attentive consideration as did the situation during the preceding months of the year, since unrestricted foreign credits, particularly short term credits and credits required for purely consumptive purposes, might become dangerous for the new currency. It appeared therefore desirable that foreign borrowing by public

bodies should be controlled by certain principles, which found their first expression (in the year covered by this Report) in the Decree of the President of the Reich of 1 November 1924 (Reichsgesetzblatt I page 726). A different standpoint was indicated in the case of loans, the object of which was to promote German production. In so far as they furthered an increase in exports, they undoubtedly represented from the currency point of view the most justifiable form of loan, since upon their maturity the amount of foreign exchange required to pay them off could be expected from the businesses themselves. In so far as they were meant to replace German business capital which had been lost, no objections could as a rule be raised, provided they were concluded for long periods and on fairly easy terms. The Bank however had to bear in mind in many cases that the amounts of foreign exchange derived from the loans were converted into mark currency at its own counters and that, as the loans matured, most of the foreign exchange would have to be returned, since foreign loans employed for German internal purposes could not recreate the original foreign exchange. It is mainly from these points of view that the marked increase in the gold and foreign-exchange reserve of the Reichsbank during the year 1924 must be regarded.

The help from abroad further relieved the foreign-exchange market, inasmuch as it finally rendered superfluous the various provisions for the control of such business and for the prevention of the flight of capital (Decrees of 31 October and 8 November 1924 Reichsgesetzblatt I page 729), with the exception only of the so-called "obligatory single rate" (Einheitskurszwang) and the prohibition of forward dealing. The Reichsbank indeed had ceased since 1 October 1924 from all forward transactions in foreign exchange for the support of the mark, such transactions having for some time ceased to serve any particular purpose.

At the same time inevitably a not inappreciable relief made itself felt on the German money market, the foreign credits being employed either to pay for imported raw materials and goods or, where they were turned into marks, to relieve proportionately the demands on the German credit institutions. Meanwhile the Reichsbank had continually to watch against the contingency of an imperilment of the currency (with its concomitant effects on industry) as a result of undue extension of its own credits. Under these circumstances the total credits of the Reichsbank fell from the maximum figure of 2,451 billion RM on 31 October 1924 to 2,159 millions on 31 December 1924 - a reduction of some 300 millions. Comparison of these figures with the considerably lower figures of the pre-war period indicates the importance, which the credit facilities of the Reichsbank had acquired for German industry and trade in the course of 1924.

The charged situation enabled the Reichsbank, at the same time that the keeping of accounts in Rentenmarks came to an end, to cease also to keep accounts in paper marks, and to rearrange their entire book-keeping on a Reichsmark basis, a measure which became universal in a very short time owing to the existing confidence in the new currency conditions. About the middle of October it was found possible for the same reason to suppress the depreciation clause in discount transactions, and the keeping of giro accounts in dollars about the middle of November. Both practices had been introduced as a protection against currency depreciation, and therefore became unnecessary since the currency was stabilised.

The generally satisfactory development of conditions on the money market and the position of the Reichsbank are best shown by comparing figures. The rate of interest for day to day money on the Berlin course, which at the beginning of January 1924 had still stood at

bout 100 per cent per annum, fell almost uninterruptedly, except or a passing rise in March and April, until it reached the bank iscount rate of 10 per cent, which had remained unchanged throughut the whole year. It was thus proved that it had been right to keep he bank rate stationary, and that it would have been a mistake had he Reichsbank yielded to the demands which at intervals were voiced, d had followed the unjustifiably high rates of the money market. he gold reserve of the Reichsbank which at the end of April had llen to 442 million gold marks, the lowest figure since the year 93, was brought up to approximately 760 million gold marks by the d of the year, chiefly by the import of gold from abroad. In dition to the proceeds of the Dawes Plan, the foreign currency serves of the Bank were increased by an approximately equal amount rom private trade sources.

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o. A description of the bills and cheques bought during the inancial year:

ills and Cheques on Berlin	RM.	8,884,313,080.42
ills or Cheques drawn on places in Germany other than Berlin	"	8,944,623,790.16
ills bought from the Golddiskontbank	"	353,177,154.15
oreign bills and cheques	"	2,399,228,587.43
	RM.	20,581,342,612.16

kassenscheine. The liquidation of the Darlehnskassen was practically completed by the end of the financial year. Darlehnskassenscheine are only included in the balance sheet for 1924 to the extent of 221,000 RM., as against a value of 9,304,209 RM. in the 1923 balance sheet.

Debt of the Reich to the Reichsbank. The amount of the Reich credit (fixed at 235.5 million RM., of which 100 million bears interest at only 2 per cent and is not repayable until 1 October 1974, the remainder, 135.5 million RM., being repayable in fifteen years and bearing interest at 3 per cent) has been included in the 1924 balance sheet for the estimated current value of 143,694,850.86 RM.

Giro(1) transactions for account of the Reich and States.

For account of the Reich ...	RM. 93,800,622,592.12
For account of the States...	" 33,083,467,635.40
	RM.126,884,090,227.52

Number of Giro(1) accounts.

In the Reichsbank	2,867 (1534 in 1913)
At its Branches	43,513 (24614 " ")
	46,380 (26148 in 1913)

Sinking Fund for Rentenmarks in circulation. The Reich paid 13.3 million RM. to the sinking fund for Rentenmarks on 31 December 1924. Its share in the profits of the Bank during the financial year 1924, 55.6 million RM., has also been paid over to this fund.

Distribution of the capital of the Reichsbank as between Germans and foreigners.

On 31 December 1923.

16,446	Germans	with	29,356	shares	of	3000 mks	and	56,615	shares	of 1000 mks
2,503	Foreigners	"	10,644	"	"	3000 mks	"	3,385	"	" 1000 mks
18,949		with	40,000	"	"	3000 mks	"	60,000	"	" 1000 mks

On 31 December 1924.

16,222	Germans	with	29,423	shares	of	3000 mks	and	55,237	shares	of 1000 mks
2,498	Foreigners	"	10,577	"	"	3000 mks	"	4,763	"	" 1000 mks
18,720		with	40,000	"	"	3000 mks	"	60,000	"	" 1000 mks

Personnel of the Reichsbank. The number of officials, employees and workers at the Reichsbank decreased from 22,909 at the end of 1923 to 14,635 at the end of 1924.

From the French
Translated - GHL
Checked - RB
QW. DR.

(1) The Reichsbank makes all transfers, payments etc. for the Treasury of the Reich and the States.

Doc. 82.

THE REICHSBANK

BALANCE SHEET — December 31, 1924.

(Stated in thousands of Reichsmarks)

A S S E T S.

CASH:		
Gold in Vault	552,497	
Gold with foreign Banks - unpledged	207,112	
Small Coins	46,379	
Silver	767	
Bank Notes (German), other than Reichsmarks	152,953	
Foreign Bank Notes	3,248	962,956
CREDITS IN FOREIGN CURRENCIES:		
Presumably deposits	1,133,197	
Foreign Bills on hand	169,532	1,302,729
LOANS AND CHECKS (in Germany)		1,881,936
SECURED LOANS AGAINST SECURITIES AND MERCHANDISE		16,960
TOTAL CURRENT ASSETS		4,164,581
SECURITIES (including Dollar Bonds of the Reich of an amount not shown, see contra)		172,343
CLAIMS AGAINST FEDERAL GOVERNMENT		143,695
REAL ESTATE AND BUILDINGS		30,000
VARIOUS ASSETS		102,888
TOTAL ASSETS		4,613,507

L I A B I L I T I E S .

BANK NOTES :		
Total Issued	4,254,573	
On Hand	2,313,130	1,941,443
DEPOSITS:		
General		820,865
Owing to Rentenbank		456,508
Liability in Government Dollar Treasury Notes (of which a part are already bought in, see contra)		234,073
Obligations in Foreign Currencies		108,121
Other Debts including proceeds of Dawes Loan		676,700
OTHER LIABILITIES TO PUBLIC:		
Dividends uncollected		238
Interest on Bills due in 1925		21,809
TOTAL LIABILITIES TO PUBLIC:		4,259,759
RESERVES:		
Legal Surplus	25,403	
Pension Fund	80,000	
Contingent	27,000	
For Cost of printing notes	10,000	
For new buildings and re-modelling	10,000	
For retiring Rentenbank notes	13,333	
Total Reserves		165,736
CAPITAL ACCOUNT:		
Authorised	300,000	
Unissued	210,000	90,000
Profits for 1925 after transfer to Legal Surplus		98,012
TOTAL LIABILITIES		4,613,507

PROFIT AND LOSS ACCOUNT [redacted] YEAR 1

I N C O M E .

	R.M.
1. Profit on home and foreign bills and cheques.....	199,752,357.55
2. Profits on loans against collateral	18,848,878.94
3. Commissions.....	17,973,600.61
4. Interest on inscribed debt.....	1,392,398.07
5. Profits on Securities.....	2,118,108.35
6. Proceeds from bank property.....	412,192.47
7. Profits on purchase and sale of precious metal.....	65,359,783.12
8. Sundries	
a) recovered expenditure..RM.1,157,438.52	
b) sundries.....RM. 58,592.81	1,216,031.33
	307,073,350.44

E X P E N D I T U R E .

1. Administration costs.....	86,723,508.81
2. Manufacture of bank notes.....	7,372,325.28
3. Ear-marked for sundry expenses	
a) provision for future losses.RM.10,000,000.--	
b) reserve for printing of bank notes..... RM.10,000,000.--	
c) reserve for new construction " 10,000,000.--	30,000,000.--
4. Share of Rentenbank on profit from its loan.....	19,707,155.20
5. Loss on exchange guarantee contracted during the war in the interest of the Reich..	40,750,291.55
6. Sundries.....	5,878.46
	184,559,159.30

From the French
Translated - GHL
Checked - RB
GS.

ACCOUNT FOR THE

YEAR 1924.

		R.M.
Income therefore amounted to		307,073,350.44
and Expenditure to		184,559,159.30
leaving a net profit of.....		122,514,191.14
In accordance with § 37 of the Bank Law, this profit is to be distributed as follows:		
To the legal reserve fund .....20% =		24,502,838.23
of the balance ..RM.		98,011,352.91
the shareholders receive in the first instance 8% of R.M.90,000,000.....= RM. 7,200,000.--		
of the balance, R.M.90,811,352.91, the first 50,000,000 is distributed as follows:		
half to the Reich.RM.25,000,000 -		
half to shareholders=	RM. 25,000,000.--	
The balance is then distributed as follows:		
⅔ to the Reich.	RM.30,608,514.68	
⅓ to holders of loan securities	RM. 10,202,838.23	
The Reich therefore receives.....	RM.55,608,514.68	
which in accordance with § 7 c of the Law of 30 August 1924 on the liquidation of the Rentenbank notes, is paid to the Rentenmark sinking fund. The shareholders receive.....	RM. 42,402,838.23	98,011,352.91
From the balance remaining at the disposal of the shareholders, namely,.....	RM. 42,402,838.23	
an amount of.....	" 9,000,000.--	
is retained for the distribution of a 10% dividend on 90,000,000.		
and the balance of	RM. 33,402,838.23	
together with the unallocated balance from the previous year	RM. 762.11	
or a total of.....	RM. 33,403,600.34	

is paid over to a special reserve fund for subsequent dividends.

I I.9.45432 Doc. 83

BERLIN, 20 April, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE PLACING OF GERMAN MORTGAGE BONDS

ON THE AMERICAN MARKET.

Summary of a report on this question made by Dr Regendanz on 31 March 1925 to the General Meeting of the Preussische Hypotheken-Aktienbank.

All the German industrial loans in America, with the exception of that of the A.E.G., are now dealt in at rates considerably lower than their issue price. Nor has the demand absorbed the supply. One third of the bonds remain in the hands of the underwriters.

In these circumstances, it is very difficult to stir up any interest in German loans on the New York market. But even if this market were disposed to accept new German loans, it would be none the less difficult to find buyers for mortgage bonds. The issue of mortgage bonds denominated in dollars is forbidden under German law or their registration in the Land Register is made dependent on the permission of the Governments of the States - which is never accorded.

This prohibition of dollar mortgages is incomprehensible to Americans. It is possible however that the German Government is contemplating an exception in favour of the Rentenbankkreditanstalt.

Dr Regendanz adds that it would not be sufficient to authorise the issue of dollar mortgage bonds. American investors want a

formal undertaking from the German Government that it will not take any action (such as Decrees on foreign exchange business or other similar measures) calculated to hamper the payment of interest or the redemption of the mortgages. Foreigners have not yet forgotten their experience of German financial legislation.

The procedure adopted in order to evade the Government restriction (the creation in America of a Trustee Company directed to receive mortgage bonds expressed in marks, and to issue dollar bonds against the security of the former) no longer appears practicable since the loans obtained in this way would cost too much. In any case, 10 per cent tax has to be paid on the interest on the bonds. If to that 10 per cent other 10 per cent has to be added as commission to the American intermediaries, the rate of the mortgage loans in Germany will be excessive.

The question of the costs of foreign borrowing should be examined very carefully. The German Press rightly complains that mortgage banks allow the banks entrusted with the placing of their bonds, far too high a commission (3 to 4 per cent). But the loans recently contracted in America in no case seem to have cost less than 10 per cent of their nominal amount. The Americans are not to be blamed for this The leading American bankers have hitherto refused to grant loans to German private interests. The banks of lesser importance, which have granted loans of from 1 to 2 million dollars, are not in a position to form syndicates; they have had to assume all the risks of these transactions and, in addition, to offer very

high commissions to the other banks placing the bonds. The figure 10 per cent cannot therefore be considered excessive.

These factors, to which is due the dearness of foreign borrowing, will disappear when the German Government has authorised the issue of dollar bonds, and formally stated that vested rights cannot be curtailed or suppressed by decrees on foreign currency business, on the flight of capital, or by other similar measures.

From the French
Translated - JMP
Checked - RB
MH.

DOC. 84

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, April 27, 1925.

RECEIPTS OF THE REICH FROM TAXATION FOR MARCH 1925 AND FOR THE FINANCIAL YEAR 1924/25.

(see DOC. 71)

The Deutsche Reichsanzeiger No.90 publishes a table showing the receipts from taxation during the month of March 1925, and during the financial year 1924/25. The following is the customary table for the principal categories of taxation:

	Estimated receipts		Receipts						
	Financial year 1924/25	Monthly average	Monthly average 1st quarter	2nd quarter	3rd quarter	4th quarter	Feb. 1925	March 1925	From April 1,1924 to March 31, 1925
	In millions of Reichsmarks								
I.Taxes on property and transfers of property:									
a)recurring	4,108.0	342.3	403.9	468.5	509.9	510.6	494.2	449.7	5,678.6
b)non-recurring	36.0	3.0	6.8	3.4	11.5	4.5	4.6	3.2	78.8
II.Customs and indirect taxes:									
c)assigned	1,017.0	84.7	85.1	113.7	131.3	144.6	137.6	136.0	1,424.2
d)other	82.7	6.9	7.8	8.4	11.5	13.0	11.7	12.4	122.5
III.Miscellaneous	-	-	1.3	0.6	0.4	0.2	0.1	0.3	7.5
Total	5,243.7	437.0	504.9	594.8	664.6	672.9	648.2	601.7	7,311.7

The receipts collected during the financial year amount to RM 7,311.7 millions. They exceed the estimated receipts (RM 5,243.7 millions) by RM 2,068 millions or approximately 40 per cent. The recurrent taxes on property and transfer of property show a surplus of RM 1,570.6 millions (which is an increase of 38 per cent). Customs and indirect assigned taxes show a surplus of RM 407.2 millions (which is an increase of 40 per cent).

The average monthly receipts in each quarter, in the case of all the principal categories of taxation, show a consistent increase. The average monthly receipts for the fourth quarter are RM 168 millions larger than those of the first quarter (increase 33 per cent) and RM 235.9 millions larger than the estimates (increase 54 per cent).

The falling off in the March receipts in comparison with February (RM 46.5 millions) is due to the reduction in the takings from the recurrent taxes on property and transfers of property (reduction of RM 44.5 millions).

The following table gives the figures of the principal direct taxes on property and on transfers of property:

	Estimated receipts		Receipts						
	Financial year 1924/25	Monthly average	Monthly average 1st quarter	2nd quarter	3rd quarter	4th quarter	Feb. 1925	March 1925	From April 1, 1924, to March 31, 1925
		In millions of Reichsmarks							
Income tax									
a) on wages	-	-	87.8	109.7	120.3	125.2	122.5	127.0	1,329.1
b) on income from capital	-	-	0.6	1.0	1.3	3.4	2.9	3.6	19.1
c) other	-	-	66.4	68.5	77.2	75.4	61.3	51.2	862.4
Together	1,344.0	112.0	154.8	179.2	198.8	204.0	186.7	181.8	2,210.6
Corporation Tax	144.0	12.0	23.1	24.8	28.7	27.9	28.0	26.8	313.8
Tax on Fortunes	376.0	31.3	24.9	34.5	49.9	57.0	83.0	53.5	499.0
Turnover Tax:									
a) ordinary	1,260.0	105.0	139.1	148.5	163.6	146.9	126.7	113.0	1,794.5
b) extraordinary(luxury)	180.0	15.0	8.9	8.2	11.3	11.3	9.8	9.5	119.1
Tax on Bourse Transactions	150.0	12.5	10.2	9.9	7.3	10.0	11.7	9.6	112.5
Transport Tax	230.0	19.2	20.3	37.0	23.4	23.7	21.2	24.3	313.1

The receipts from the above taxes for the financial year (with the exception of the "luxury" turnover tax and the tax on Bourse transactions) have in general exceeded the estimates by a considerable figure:

	Excess		Deficit	
	Millions of RM	%	Millions of RM	%
Income Tax	866.6	64		
Corporations Tax ...	169.8	117		
Tax on Fortunes	123	32		
Turnover Tax:				
1) ordinary.....	534.5	42		
2) extraordinary (luxury)			60.9	33
Tax on Bourse transactions.....			37.5	25
Transport Tax	83.1	36		

The increase of receipts during the financial year has been in general consistent (see average monthly receipts in each quarter). The decrease in the receipts from the turnover tax in the fourth quarter is due to the reduction of the rate of the tax (from 2 per cent to 1½ per cent) on and after January 1,1925. The reduction in the receipts from "Other Taxes on Income" is also noticeable: it is due to the reduction of ¼ per cent in the anticipatory payments which come into force on January 10, 1925.

The falling off of the March receipts in comparison with the preceding month is due to the lower returns from the Tax on Fortunes during March. A quarterly payment of this Tax fell due on February 15.

.....

The following table shows the figures for the assigned indirect taxes:

	Estimated receipts		Receipts						
	Financial year 1924/25	Monthly average	Monthly average				Feb. 1925	March 1925	From April 1, 1924 to March 31, 1925
			1st quarter	2nd quarter	3rd quarter	4th quarter			
	In millions of Reichsmarks								
Customs	160	13.3	21.7	23.8	31.2	42.1	35.9	38.3	356.4
Tobacco Tax ..	360	30.0	35.6	41.4	44.7	49.3	53.3	43.5	513.1
Beer Tax	126	10.5	13.7	20.1	15.0	16.4	16.3	15.9	195.7
Sugar Tax	231	17.6	10.8	19.6	22.7	19.4	18.4	20.3	217.6
Spirit Monopoly	140	11.7	3.2	8.9	17.6	17.5	13.5	18.0	141.5

The receipts from the customs and assigned indirect taxes during the financial year (RM 1,424.2 millions) exceed the amount of the budgetary contribution contemplated in the Experts' Plan (secured on these sources of revenue). The maximum amount of this contribution from budgetary revenue is 1,250 million gold marks, payable in the fifth reparation year*.

*This figure takes no account of reductions or increases in the payments which may result from reductions or increases in the takings from the assigned revenues in 1926/27 or 1927/28, from the application of the prosperity index in and after the year 1929/30, or from important fluctuations in the value of gold.

The increases in the receipts from these taxes as compared with the estimates are as follows:

	Increase (Millions of RM)	Percentage of the amounts of the estimates
Customs	196.4	123
Tobacco Tax	153.1	42
Beer Tax	69.7	55

The estimated amounts for the receipts for the spirit monopoly have been attained. The receipts from the sugar tax show a decrease of RM 13.4 millions (5 per cent less than the estimates).

The following table, as worked out by us, shows the transfers to be made by the Reich to the States on the taxes collected by the Reich, together with the net share of the Reich.

	Estimates of the Budget		Receipts collected and amounts to be transferred (according to our calculations)						
	Financial year 1924/25	Monthly Average	Monthly average				Feb. 1925	March 1925	From April 1,1924 to March 31, 1925
			1st quarter	2nd quarter	3rd quarter	4th quarter			
	In millions of Reichsmarks								
Total of receipts of the Reich from taxation	5,243.7	437.0	504.9	594.8	664.6	672.9	648.2	601.7	7,311.7
Transfers to the States (as calculated by us)	1,861.6	155.1	198.7	227.2	248.2	247.2	226.7	220.7	2,764.0
Net receipts of the Reich	3,382.1	281.9	306.2	367.6	416.4	425.7	421.5	381.0	4,547.7

The sum total of the monthly transfers of revenue made by the Reich to the States, according to the figures of the Reichshauptkasse, shows for the end of March, RM 2,629.3 millions. At this date the Reich, it appears, still owed the States on account of transfers (2,764.0 minus 2,629.3=) RM 134.7 millions.

(signed) M. HEROIN.

From the French: translated RB: checked CFH.

Doc. 85

I.I. 9.331 BERLIN, 27 April 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE MOVEMENT OF FUNDS AT THE REICHSHAUPTKASSE DURING THE MONTH OF MARCH 1925.

(See Doc. No. 68)

The Deutscher Reichsanzeiger publishes a tabular statement showing the movement of funds at the Reichshauptkasse during the month of March 1925.

Receipts	623.0	million RM.
Payments	618.7	" "
Surplus receipts...	4.3	million RM.

The total surplus of receipts over payments during the financial year (1 April 1924 to 31 March 1925) amounts to:

659.7 million RM.

I. Receipts

The figure for the March receipts is made up as follows:

a)	the receipts from taxation collected during the month of March (see Doc. No. 84)	601.7 million RM.	
	less receipts from the assigned revenues for March, not yet repaid to the Reichshauptkasse	- 136.0 " "	
	plus the receipts from assigned revenues for February, repaid to the Reichshauptkasse in March	+ 19.7 " "	
	Making:		603.3 million RM
b)	administrative receipts collected during the month of March		19.7 " "
	Total:		623.0 million RM.

2. Payments.

The figure for payments is made up as follows:

a)	on account of general administrative expenditure (including expenditure in execution of the Peace Treaty)	360.3 million RM.
b)	Transfers of revenue from taxation to the States and Communes	251.6 " "
c)	Payments on Reparation account	6.8 " "
	Total:	618.7 million RM.

The table given on the next page shows the monthly amount and the total(1) of the receipts and payments at the Reichshauptkasse during the financial year 1924-1925.

M.H.

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(1) See observation Note 1, page 2, Doc. No.55.

From the French
Translated - CFH
Checked - RE.
EP.

RECEIPTS AND PAYMENTS AT THE REICHSHAUPTKASSE DURING THE FINANCIAL YEAR 1924 - 1925

(in millions of Reichsmarks.)

R E C E I P T S

		Receipts from taxation	Administrative Receipts.	Total
1924	April	523.8	55.7	579.5
	May	518.7	48.0	566.7
	June	472.3	57.4	529.6
	July	583.1	39.1	622.2
	August	592.0	26.2	618.3
	September	609.2	56.4	665.6
	October	686.7	27.6	714.3
	November	541.6	27.3	568.9
	December	619.3	70.8	690.1
1925	January	755.0	23.1	778.1
	February	670.6	23.3	693.9
	March	603.3	19.7	623.0
	Total:	7 175.7	474.5	7 650.2

P A Y M E N T S.

		General Administration.	Repurchase of gold loan.	Transfers to States and Communes	Payments on account of Reparations.	Total
1924	April (1)	338.6	76	184.9	-	599.5
	May (1)	245.0	121.1	214.2	-	580.2
	June (1)	324.9	26.6	179.6	-	531.1
	July (1)	336.9	5.1	198.4	-	540.4
	August	300.9	0.9	243.2	53.6	598.7
	September	294.1	1.1	190	97.4	582.6
	October	386.4	-	230.6	76.0	693.1
	November	247.2	-	242.7	69.0	558.9
	December	302.1	-	234.0	54.2	481.9
1925	January	295.8	-	199.8	126.4	622.0
	February	287.9	-	260.3	35.1	583.3
	March	360.3	-	251.6	6.8	618.7
	Total:	3 670.5	230.8	2 629.3	459.9	6 990.5

(1) For the period April to July a lump sum amounting to 49.8 million RM. for expenditure incurred in respect of "Payments on Reparation account", the exact monthly quantities of which are not known, has been entered under the column of General Administrative Expenditure.

The actual expenditure is shown in the totals of each column. As a result, the addition of the monthly figures given in the column for General Administrative expenditure shows a difference of plus 49.8 millions as compared with the total given, and the addition of the monthly expenditure under "Payments under Reparation account" a difference of minus 49.8 million RM. as compared with the total given for this item of expenditure.

SURPLUS (+) or DEFICIT (-)

1924	April	- 20.0
	May	- 13.5
	June	- 1.5
	July	+ 81.8
	August	+ 19.6
	September	+ 83.0
	October	+ 21.2
	November	+ 10.0
	December	+ 208.1
1925	January	+ 156.1
	February	+ 110.6
	March	+ 4.3
	TOTAL:	+ 659.7

From the French
Translated -CFH
Checked -RB
EP.

I.I. 9.34 Doc. 86.

BERLIN, 27 April 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

RETURN OF THE PUBLIC DEBT OF THE REICH

as at 28 February 1925.

(See Document No.64).

The attached table shows the public debt of the Reich as at 28 February 1925 (according to the figures in the review Wirtschaft und Statistik No.6).

The total figure of the debt amounts as at		
31 January 1925 to	RM 2 888.3	millions
28 February	2 819.5	"
Reduction in February	RM 68.8	"

The changes are in the following items:-

(a) E. Bonds.

Of the RM 317 millions of E. Bonds in circulation as at 31 January 1925, 41 millions were redeemed in February.

(b) Reichsmark Treasury Bonds

The amount of Reichsmark Treasury Bonds (working funds of the Reichshauptkasse) has decreased from RM 55 millions to RM 35 millions, that is by RM 20 millions.

(c) External Loan

The equivalent in Reichsmarks of the External Loan has decreased from RM 943.9 to RM 936.9 millions - a reduction of RM 7 millions.

This is the first time there has been a reduction in this item, the amount of which, expressed in Reichsmarks, had hitherto steadily increased (notwithstanding the monthly payments to sinking fund) as a result of the rise in the pound sterling.

M.H.

From the French
Translated - JMP
Checked - RB
EP.

Doc.86.

PUBLIC DEBT OF THE REICH (in millions of RM)

	31 January 1925	28 February 1925.
I. Treasury Bonds.		
Paper Marks	0.0	0.0
Dollar Bonds	-	-
6 per cent redeemable 1935	24.0	24.0
6 " " " 1932	1.4	1.4
"K" Bonds	1.4	1.4
"E" Bonds	317.0	276.0
Reichsmark drafts	55.0	35.0
Total	398.8	337.8
II. Debts to the Banks		
Rentenbank non-interest-bearing / Rentenbank interest bearing	1 186.7	1 186.7
Reichsbank	226.5	226.5
Total	1 413.1	1 413.1
III. External Loan		
110 million dollars	457.4	455.8
21.36 " pounds sterling	428.6	423.7
25.2 " crowns	28.4	28.4
100 " lire	17.5	16.9
15 " Swiss francs	12.1	12.0
Total	943.9	936.9
IV. Other debts		
Other commitments	18.6	18.6
Security	104.8	104.0
Loan to agriculture (Meliorations-Kredit)	9.0	9.0
Total	132.4	131.7
Grand Total	2 888.3	2 819.5

From the French
Translated - JMP
Checked - R E.

EP.

I.I.9.453 Doc. 87

BERLIN, 1st May 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE EMPLOYMENT OF PUBLIC FUNDS IN PRIVATE BUSINESS

(A Paper read by Dr. Schroeder)

Dr. Schroeder, former Secretary of State in the Finance Ministry and now President of the Prussian State Bank (Seehandlung), read a paper on 7 April 1925 at Frankfort, on "The employment of Public Funds in Private Business" to the members of the Association for Commerce, Industry and Science (Gesellschaft für Handel, Industrie und Wissenschaft).

The interest attaching to Dr. Schroeder's personality has induced us to summarise his paper (see below). We direct attention particularly to those passages which amplify, or give precision to, the report of the Economic Service on "The Public Banks and their Action in connection with the Credit and other Policy of the Reichsbank" (Doc. No.75).

Dr. Schroeder's paper deals in particular with the funds of the Reich and of Prussia. Other public funds are only of secondary importance in so far as the money market is concerned.

The funds of the Communes and the Communal Associations can only play a local rôle. Within the last few years, the establishments administering these funds (Savings Banks, Girozentrale) have extended their sphere of action, the shortage of capital having

led the Communal Banks and Savings Banks to borrow in order to be able to lend in their turn: but this procedure is abnormal and will not last.

Public funds are derived from trade. Traders are therefore entitled to demand that, in so far as these funds are not immediately required for public purposes, they should be returned to trade as far as possible and on the best possible terms.

THE PUBLIC FUNDS OF THE REICH AND OF PRUSSIA BEFORE THE WAR AND NOW

Before the war the financial authorities of the Reich had virtually no funds at their disposal. Prussia on the other hand had at times considerable sums to draw upon. The sinking fund alone of the Prussian Railways amounted shortly before the outbreak of hostilities to about 300 million marks. The public funds of Prussia were remitted to the Seehandlung, which placed them on the private discount market, both in the form of Treasury bills and still more in the form of loans against collateral. The Seehandlung was the principal source for sight money on the Bourse.

The aggregate public funds, available for private trade, may have amounted to 300-500 million marks, an insignificant sum when compared with the capital of the Banks.

Since the war, public funds have taken on an importance on the money market which, though considerable, is sometimes exaggerated.

The funds of the Reich (including the Reichspost and the Reichsbahn) and of Prussia may now be estimated at one milliard Reichsmarks. On the other hand, the 80 Banks which have just

published their bi-monthly returns had between them 4.5 milliard marks of current deposit and other accounts. At the beginning of 1925, Savings Bank deposits and Co-operative Society deposits amounted to 2 milliard Reichsmarks. Further, the Reichsbank has placed about 3 milliard Reichsmarks at the disposal of trade and industry. It may therefore be assumed that private funds form a total of about 9 milliard marks.

It is clear that, while the public funds are large enough to render valuable services to trade and industry, they cannot play the part which is sometimes attributed to them.

It must also not be forgotten that these funds are likely to be considerably less in the future, their present comparatively large volume being the result of an intolerable burden of taxation.

The public funds at the disposal of trade and industry would be considerably reduced, if the campaign in favour of the payment of official salaries quarterly in advance, were successful. The results might be serious for trade. According to the computations of the Finance Ministry, the introduction of this plan would entail upon the Reich, the States and the Communes, an additional outlay of 960 million marks.

HOW PUBLIC FUNDS ARE NOW USED

Under § 25 of the Bank Law, the Reich is obliged to have all its banking business in connection with the public administration transacted by the Reichsbank. The Reichsbank passes on to trade and industry a portion of the funds deposited with it, by buying on commission bills for the account of the Reich. The financial authorities of the Reich do not themselves loan money directly.

Outside Berlin, the Cash Offices of the Reich may not hold more than the minimum funds required to cover immediately impending payments.

There is no written ruling as to the use of the funds of the Reich concentrated in Berlin. The following rules are observed: the solvency of the Reich must always be ensured; investments must be absolutely safe; the question of the rate of interest is of minor importance. In so far as the Reichsbank is able to invest the available funds of the Reich, these funds are entrusted to it. Where funds have been advanced to the Reichskredit A.G. and the other big banks, this has only been done with the knowledge of the Reichsbank.

FUNDS FROM POSTAL CHEQUE ACCOUNTS

The use of the funds of the Postal Cheque Service was regulated before the war by a decree of 10 May 1910, which remained in force until 1919. The funds of the Postal Cheque Service had to be invested in loans of the Reich up to the amount of the total amount of the minimum balances required to be kept on all accounts (Stammeinlagen). The balance had to be invested to the extent of one half in other Government stock and in loans to Co-operative Societies, to the various Associations for the promotion of trade, industry and agriculture, and to the extent of the other half in bank drafts and Treasury bills of the Reich or paid into the Reichshauptkasse.

At the end of 1918 the funds of the Postal Cheque Service represented a total of 968 million marks.

At the present time, the investment of the funds of the Postal Cheque Service is regulated by a decision of the Management of the

Postal Service dated 6 February 1925. Under this decision a balance of 30 million marks must be kept permanently in a giro account at the Reichsbank. Of the remainder, at least one third must be invested in bank drafts through the medium of the Reichsbank; and the balance must be invested in stocks or shares bearing a fixed rate of interest and accepted as security for advances by the Reichsbank, in public loans, in Treasury Bills, or in loans to the Government Banks, to the Reich or to the States. Credits of any other kind, which may have been granted up to now will be gradually wiped off.

In virtue of the agreements concluded with Bavaria and Wurtemberg, the funds of the Postal Cheque Service of these two countries must be entrusted, in Bavaria to the State Bank, and in Wurtemberg to private Wurtemberg Banks of high standing, and interest must be paid thereon.

FUNDS OF THE RAILWAY

The Reichsbahn entrusts the administration of the major part of its available funds to a special Bank, the Verkehrskreditbank, 70 per cent of the capital of which it owns.

This bank is not entitled to grant direct loans. Its available funds must be invested chiefly in the private discount market. Minor sums may be lent to the Banks of the States and to certain private Banks.

The available funds of the Reichsbahn are however far from being as large as they were before the war.

FUNDS OF THE PRUSSIAN STATE.

The available funds of the Prussian State are collected together in the Prussian Treasury (Generalstaatskasse), and transmitted to the State Bank (Seehandlung), in so far as they are not deposited on giro account with the Reichsbank. These funds have recently grown to a considerable amount and are sufficient to render great service to trade and industry.

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Herr Schroeder considers it indispensable that, before being placed at the disposal of trade, the public funds should all be concentrated in one Treasury. Such concentration would ensure more regular conditions in the money market. It would also facilitate big loan transactions, such as for example the 200 million mark loan last year to agriculture as an advance against the harvest.

THE SEEHANDLUNG

Herr Schroeder expatiates at length on the functions of the Bank of which he is the President. The Seehandlung is the central organisation for the administration of public funds. It successfully fulfilled this function before the war and it would be to the advantage of everyone concerned if it completely regained this sphere of activity. The interests of the Reichsbank would not suffer thereby. It is of no advantage to the Reichsbank to collect in its coffers the giro funds of public institutions, as these funds are shown in its returns among the short-dated commitments, which it might be obliged to meet by means of the note-printing press.

It is therefore the Seehandlung which should be entrusted with the task of collecting the available public funds, and utilising them for the benefit of trade and industry.

In view of last year's experiences, can this task safely be entrusted to it ? Herr Schroeder admits that in the past there were weak points in the organisation of the Seehandlung, and that certain persons were not equal to their functions. But since the events of last year, the Seehandlung has taken on an Advisory Council (Beirat), composed of persons of standing in business circles, in Parliament and in the Ministries.

This Advisory Council, of which the President of the Reichsbank is a member, has approved the regulations drawn up by the Seehandlung for the granting of loans. The Seehandlung no longer advances loans directly to industrial and commercial firms. It acts through the medium of the private Banks and, in the case of agriculture, retail business and the artisan class (Handwerker) through the medium of the Preussenkasse.

The Seehandlung has no branches, and will not have any. It cannot therefore enter into direct relations with the persons requiring credit throughout Prussia. It has to act through the leading Banks. As in the past, it will buy commercial bills endorsed or accepted by them (Privatdiskont); it will also give loans against security.

GIROZENTRALE

In agreement with the Advisory Council above-mentioned, Herr Schroeder thinks it reasonable for the Seehandlung to advance to the Deutsche Girozentrale the funds for short-dated loans to the Communes. But these transactions should be very

carefully supervised since, in Herr Schroeder's view, the Communes show a tendency to incur expenditure which in present circumstances is unnecessary. At the same time Herr Schroeder thinks it inadvisable to give the Girozentrale funds for loans to private interests.

RATE OF INTEREST FOR LOANS GRANTED OUT OF PUBLIC FUNDS

According to Herr Schroeder, the public institutions which entrust their funds to the Seehandlung would be wrong in endeavouring to obtain from it the highest possible rate of interest. They should in general be content with the usual rate of interest for sight money or short term money.

The Seehandlung should also make such terms for its loans as will not put upon the ultimate recipient of the credit more than a reasonable rate of interest.

Herr Schroeder thinks that the Postal Service demands too high a rate of interest. The Reichspost demands for quarterly deposits a rate of interest equal to the discount rate of the Reichsbank. In the present state of the market it is impossible on such conditions to invest capital in endorsed or discounted bills. The Reichspost argues that, if it were less exacting in this respect, it would have to raise the postal rates. Herr Schroeder does not consider this a sound argument. He points out that in 1919 the Reichspost was content with 3 per cent interest.

COMMENTS ON HERR SCHROEDER'S VIEWS

This expression of views by the President of the Seehandlung with its statement that the institution in question should be the reservoir for accumulating all the funds of the Reich and of

Prussia - of which it would then be free to dispose as it pleased - is open to several objections. Although declaring himself in agreement with the Reichsbank, he discreetly implies that it oversteps its functions in acting as intermediary for the investment of public funds in commercial bills.

On the other hand the Preussenkasse (Prussian Central Co-operative Bank - Preussische Zentralgenossenschaftskasse) has already stated its attitude by demanding the right to receive directly the funds of the Postal and Railway Administrations. In a resolution passed by its Management it stated that "the Preussenkasse is a public banking establishment offering the same security as other Government banks. Public funds should therefore be remitted to it just as much as to the other Government banks, to be used for the advantage of the middle classes grouped in industrial and agricultural co-operative banks and workmen's co-operative Consumption societies. The funds of public undertakings should be offered at a low rate of interest which, where the recipients are co-operative societies, should not be increased by transfer to another Government establishment." The Preussenkasse is at one with the President of the Seehandlung in complaining that the Postal Service asks for the funds that it lends the same rate of interest as the Reichsbank asks for discount.

The Postal Service for its part protests that more than 200 millions of the funds which it puts out on short call are invested at rates considerably lower than that of the official discount rate, and that the bills which it buys through the Reichsbank do not bring in more than 7 to 8 per cent.

(Signed) DRILLIEN.

From the French
Translated - JMP
Checked - RB
Ef.

I.I.9.4133 Doc.88

BERLIN, 11 May 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE.

THE MONTHLY RETURNS OF THE RENTENBANK 30 APRIL 1925.

The following is the comparison between the balance of the Rentenbank as on 30 April 1925 and the balance as on 31 March 1925:

ASSETS.	Balance sheet of 30 April.	Difference as compared with 31 March 1925.
Charges upon German business	2 000 000 000	-
Rentenbriefe	1 999 844 000	-
Loans to the Reich	1 171 666 667	- 15 000 000 (1)
Outstanding credits	780 334 503.57	-
Balance in hand: Giro accounts Postal Cheque Accounts and Cash in hand. (This item includes the RM 160 millions placed at the disposal of the Rentenbank-Treuhandstelle)	221 074 703.77	+ 17 923 795.83
Office furniture & supplies	85 882.46	+ 5 773
Miscellaneous assets	-	-
LIABILITIES.		
Capital	2 000 000 000	-
Reserve	-	-
Rentenbank notes in circulation	1 896 236 735	- 15 000 000 (1)
Rentenbriefe in circulation	156 000	-
Miscellaneous liabilities	487.5	- 62.5

(1) Conformably with § 7c of the Law on the Liquidation of Rentenbank notes, the Reich has paid RM 15 000 000 into the Rentenmark Sinking Fund. "Loans to the Reich" and the Rentenmark circulation have fallen correspondingly.

From the French
Translated - RB
Checked - RB

I.I.9.31249 Document 89

Berlin, 11 May 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE MEMORANDUM OF THE GOVERNMENT OF THE REICH ON THE PROPOSAL TO TAX INFLATION PROFITS.

The Government has transmitted to the Reichstag " a memorandum on the proposal to tax inflation profits". From the conclusion of this document it would appear that the idea of such a tax is to be abandoned for the time being. A resumé of the Memorandum, founded on the account of it given in the Frankfurter Zeitung No.315 of 29 April 1925, is given below.

The question of taxes on inflation profits is very closely allied to the question of valorisation. If all credits dating from the inflation were to be valorised at their gold value, to an extent appreciably exceeding the provisions of the Third Steuernotverordnung (Emergency Tax Decree), the State might well take its share of such inflation profits, real or imaginary. In justice such a tax should cover all credits regardless of time or of facts. For reasons connected with the technicalities of taxation, a tax of this particular kind would have to be restricted to certain kinds of credits, and to a definite period of the inflation. If credits of a value below a certain fixed amount, for example, 100 marks, were exempted from the tax, this would only increase its injustice. Moreover the tax could not be levied on credits granted to the Reich, the States and other organisations having standing under Public Law.

The Memorandum then considers the question of taxing Inflation Profits, either (1) directly by a charge on bills in circulation, loans against collateral and current-accounts, or (2) indirectly by a

charge on the issue of Notgeld (emergency money).

A tax on bills would be an extremely difficult matter, and the cost of collection would be enormous. 340 000 working hours would be required to examine the bills circulating in 1923 alone. The difference in value in the case of all bills circulating between 1 January 1922 and 21 November 1923 may be taken at 800 million gold marks. Supposing the rate of the tax to be 10 per cent, that might bring in 75 million gold marks as a maximum figure, after taking into account the exemptions which would have to be granted. Owing to the three year respites of payment which would have to be allowed, the annual proceeds from the tax would not be likely to amount to more than 25 million gold marks.

A tax on loans against collateral (Lombards), taking the rates at from 5 to 10 per cent, would not bring in more than 10 million gold marks at the outside, The costs of collection would be comparatively high.

As to a tax on current accounts, enquiries made in one large Berlin Bank showed that 152 million conversion calculations would be necessary. It is quite impossible to estimate the yield of such a tax, but the cost of collection would be out of all proportion thereto.

Great difficulties also stand in the way of a tax on the issue of Notgeld, except in the case of stabilised Notgeld. For purposes of simplification the issues called in before 1 June 1923 must be left out of account. The amount of uncovered Notgeld in circulation at the end of November 1923 may be taken as 320 trillion (German)(1) paper marks (320 000 000 000 000 000 000 paper marks)

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(1) German (and English) notation: trillion
French (and American) notation: quintillion.

composed, to the extent of approximately half, of money issued by organisations having standing under Public Law. For purposes of taxation, a figure of one milliard gold marks may be taken as the basis, after the necessary deductions have been made (minor issues, etc.). If the rate of the Tax were fixed at 10 per cent, the yield would amount approximately to 100, 75 or 50 million gold marks, according as the issues of organisations having standing under Public Law were taxed to the full amount of 10 per cent, 5 per cent or exempted altogether.

The Memorandum then deals with the question of collecting the required money by a tax on increment of fortunes, or on fortunes which have been preserved intact.

All the projects of taxation at present in force are calculated to permit of the formation of fresh capital reserves. A tax on increment of fortunes would be in contradiction to this principle and would constitute a levy on capital. Furthermore, as very few taxpayers would be liable to such a tax, the rate would be high. It is not possible to estimate the proceeds from a tax of this nature, and the difficulties of collection would be very great indeed.

For the same reasons a tax on fortunes which have been preserved intact gives rise to grave objections. Even if the percentage of intact fortune were reduced to 80 per cent, the number of taxpayers and the proceeds from the tax would not be very high, for the number of fortunes which have been reduced by more than 20 per cent is far higher than the number of fortunes which have only been reduced by less than 20 per cent.

The Memorandum concludes with the words. "It will not be

possible to levy a tax on increment of fortune or on fortunes which have been preserved intact until the question of valorisation has been finally settled and property has recovered its real value."

M.H.

From the French
Translated - CFH
Checked - RB
MH.

I.I.9.30 Doc.90

BERLIN, 12 May 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

SUMMARY OF A SPEECH MADE IN THE REICHSTAG

BY DR von SCHLIEBEN,

Finance Minister of the Reich,

on 30 April 1925.

The Minister explained the conditions under which the financial legislation of the Reich had been drafted which, after the financial disorder of the Inflation, must contribute in future towards the final economic recovery of Germany.

Objects of the new legislation. These are three in number:-

1) to adapt the burden of taxation to the economic situation, taking reparation charges into account;

2) in the sphere of taxation, exactly to define the competence of the Reich, the States and the Communes with regard to the collection of taxes and dues, and to grant each of these organisations the greatest amount of autonomy possible from the financial point of view;

3) to take into account the close connection existing between the taxation bills, the Finanzausgleich, the revalorisation law and the various Budgets.

Financial position of the Reich, financial year 1924. The financial position has been extremely favourable since it has been possible to put a stop to expenditure and to increase taxation. Nevertheless, the optimism evinced by the German and foreign Press should not be shared.

The 1924 Budget estimates provided that, after the payment made to the States and Communes, 3 382 millions should be left to the Reich out of a total amount of 5 244 million marks obtained from customs duties and taxes. The actual figures for the period from April 1924 to March 1925 were as follows:-

	millions of marks
Total amount of taxes and customs duties	7 312
Balance left to the Reich after the payments to the States and Communes	4 567

As compared, therefore, with the Budget estimates, this means surplus receipts for the Reich of 1 185 million marks, and, if the extraordinary receipts are taken into account, the total surplus receipts of the Reich amount to 1 922 million marks. In 1924 it was not possibly entirely to balance the extraordinary Budget, and in order to cover the deficit the Treasury was obliged to draw on the receipts of the ordinary Budget. After allowing for this fact, however, there still remains a net surplus of 1 574 million marks.

The Reich will not improve its position except by freeing itself from the liabilities contracted in the past. These include the compensation payments to the Ruhr industrialists for the period of passive resistance and for the charges imposed by the Micum, which amounted to 577 million marks, plus 136 millions for the redemption of the gold loan. 270 millions have been provided to increase the compensation payments for losses due to the war or to the Peace Treaty.

To this must be added various compensation payments to the States, to Prussia, for instance, for losses incurred in connection with the felling of timber. These payments have reached the sum of 527 millions. The balance remaining of the 1924 surpluses is therefore only 334 millions, which is required in order to cover a possible deficit in the taxation returns. A great country cannot exist, from the financial point of view, without working capital. Before the war the Reich had a working capital of 600 million marks. At the present

time, a much greater sum is required owing to the reparation payments, which necessitate an outlay of 200 millions. When the working capital has been expended during 1925, there will be a shortage which will have to be covered.

From this point of view it is most satisfactory that there were considerable working receipts during the financial year 1924.

Financial year 1925. The expenditure for this year is estimated at 4 050 million marks, to which the expenditure under the supplementary budget must be added. The expenditure will thus total at least 4900 millions. The 1924 estimates of receipts have been used in the absence of more accurate data. Greater accuracy is now, however, possible, and the anticipated receipts are as follows:-

	millions of marks.
1) Taxes on property and circulation	4 999
2) Customs duties and taxes on consumption	1 528
Total	6 527

Of this total, after the payments to the States and Communes, a net amount of 4 222 millions will remain to the Reich.

The total receipts of the Reich, including administrative receipts and the proceeds from the sale of railway preference shares (292 millions) must be 4 625 millions.

In the case of expenditure, it is almost impossible to provide for further reductions, in view of the strict economy already practised.

In 1913 the purely administrative expenditure of the Reich (excluding State-run undertakings and the payments in respect of taxation to the States and Communes) amounted to 3 002 millions. To-day, if we deduct the exceptional expenditure from 4 900 millions, expenditure is left to the amount of barely 4 000 millions. If

allowance is made for the increased expenditure in respect of pensions and the general rise in prices, it will be recognised that the finance administration of the Reich has given proof of strict economy.

Reparation payments. In 1926 the reparation payments begin with 495 million marks; as is known, these payments must amount to 675 million marks in 1927, to 1 230 million marks in 1928 and to 1 540 million marks from 1929 onwards. Even with a maximum sum in receipts, a deficit which it will be difficult to cover is to be expected during these years and indeed from 1926 onwards. It is already very doubtful whether it will be possible in 1926 to obtain by means of long-dated loans the funds required to cover the extraordinary expenditure. Consequently, the Government and legislation must be extremely cautious in accepting new financial obligations. The Government of the Reich is already obliged to ask for increases in the taxes on beer and tobacco; the returns from these taxes for 1925 are estimated at 338 million marks, but as their collection will not begin until 1 July 1925, they will produce only 130 million marks in 1925. This increase is indispensable in order to avert the considerable deficit anticipated for the Budgets of the next few years and which would otherwise exist already in the 1925 Budget.

New Financial Legislation. The main lines of the new proposals are already known. It would be a serious fault to impose on production and consumption burdens heavier than those which are absolutely indispensable for the vital requirements of the Reich, the States and the Communes. It is consequently necessary to decrease taxation in order to galvanise production and more easily to combat fraud in matters relating to taxation. No doubt taxpayers are still required to make considerable sacrifices.

In the case of the taxes on income and corporations, monthly payments can in future be replaced by quarterly payments. Further, we consider that the tax laws must be applied in the same manner throughout Germany and I am in favour of the retention by the Reich of the administration of our finances.

Our system of taxation legislation has been carefully prepared. We have avoided the levying of the same tax twice, by means of negotiations with the States. I think that a certain freedom of action must be granted to the States and Communes. As, however, the financial interests of the Reich are still more important, I have not felt able to allow the States freely to administer the taxes on income and corporations. On the other hand, during the negotiations we were all of opinion that it was advisable to enable the States themselves to fix the amount of their share in the common burden.

Redemption of public loans. When submitting the taxation bills, Herr von Schlieben also submitted a Bill providing for the uniform revalorisation of public loans. The proposed settlement of this question was based on social considerations. Accordingly a distinction was made between old and new holders.

This distinction is complicated and expensive from the point of view of financial technique. Nevertheless, the Government of the Reich wishes to indemnify those who have really suffered loss and does not wish to enable those who bought loan stock with the object of speculation during the Inflation to realise exaggerated profits. The old bondholders own stock to the nominal value of about 20 milliard marks, which will involve an annual payment of 50 millions. Amortisation would be completed in about 40 years. The Government of the Reich wishes to maintain a system of premium drawings, to which it would devote

50 millions, for it hopes in this way to be able to maintain the Stock Exchange quotation of the loan, which would be an advantage for the old holders. The total expenditure for amortisation is thus limited to 100 millions. This is a very heavy burden in view of the present financial position, although holders of securities who have lent their money to the State will receive very little. It is for this reason that the Government of the Reich has decided to do rather more for old holders of loan stock who are in necessitous circumstances. The latter hold war loan to the amount of about 2 milliard marks. The additional effort made on their behalf will cost the Reich 40 millions per annum.

Loans of the State and Communes.

The revalorisation must be definitive in order that the Reich may be free to restore public credit. The proposals represent the utmost that can possibly be done. The Minister begged the Reichstag to realise what the consequences of an increase in the valorisation rates would be. At present there is no danger of inflation, but any danger for the future must also be avoided.

Definitive establishment of the Budget.

When establishing the Budget, care must be taken to avoid a deficit both for 1925 and for the following years. Long-dated loans with a view to covering extraordinary expenditure or the deficit are impossible in view of the position on the money market. According to the London Protocol, direct foreign influence on the financial administration of the Reich and of the States is not possible. Financial independence must be maintained.

At the present time, during the moratorium, payments on reparation account are not felt in the Budget, but in consequence the burden which they represent will be all the heavier in the years to come. We have been given a few months in which to take breath again. It would be unpardonable levity to leave to chance the manner in which our financial position is subsequently to be settled. We have to render the burdens imposed under the London Agreement bearable for the German nation, for our national independence and our financial autonomy are at stake.

In conclusion, the Finance Minister of the Reich appealed to social considerations in order to justify revalorisation within the limits of what was financially possible. He asked the Reichstag to adopt all the laws proposed, which must constitute a lasting foundation for the reconstruction of Germany.

M. H.

From the French
Translated - BWS
Checked - RB

MH.

I.I.9.31. Doc. 91.

Berlin, 14 May 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

SPEECH MADE BY THE FINANCE MINISTER BEFORE THE BUDGET COMMITTEE OF THE REICHSTAG.

The Finance Minister, Dr. von Schlieben, speaking Before the Budget Committee of the Reichstag on May 5th last, gave certain additional information on the financial position of the Reich, which he had already dealt with in part in his speech on 30 April 1925. (see Doc. 90). A summary of his remarks is given below.

Cash position of the Reich as at 31 March 1925.

The last statement from the Reichshauptkasse shows that the surplus of incomings over outgoings for the period 1 April 1924 to 31 March 1925, was:

	Millions R.M.
This sum represents the surplus of receipts, after deducting supplementary disbursements, and in particular the increased payments to the States and the Communes.	660.-
To this figure should be added the receipts from the Controlled revenues for March, not yet turned over to the Reichshauptkasse by the Commissioner	136.-
Further, about 220 million R.M. representing profits on the minting of silver currency, were deposited at the Reichsbank on 31 March and belong to the Reich	220.-

Millions R.M.

Lastly, 345 million R.M. remain at the disposal of the Reich from the credits granted by the Rentenbank 345.--

On account of exchange losses the proceeds of the sale of 1 200 millions of Rentenmarks allowed to the Reich by the Rentenbank, did not exceed ..... 1 175 millions R.M.

830 million were used to meet the 1923/1924 budget deficit 830

Of the Rentenbank credits the Reich still holds (as stated above) .. 345

Total 1 361.--

From this sum must be deducted the loans and working capital granted by the Reich to the

Alcohol monopoly ..... 38 millions
Reichsbahn ..... 85 "
Deutsche Werke ..... 11 "

or a total of 134.--

The cash position of the Reich as at 31 March 1925 should therefore have shown a surplus of 1 227.--

This amount was made up of the following items:

I.	Cash at the Reichshauptkasse	130.--
	Other cash assets	38.--
2.	Short term loans and drafts	693.--
3.	Receipts from Controlled revenues for March in the hands of the Commissioner of Controlled Revenues and not received by the Reich until April .....136 million Advances on account of the annuity payment ..... 10 "	146.--
4.	Profit on minting of silver coin	220.--
	giving a total of .	1 227.--

A comparison of the surplus receipts with the surplus payments for the financial year gives approximately the same figures.

Surplus of Revenue collected for the financial year 1924/1925.

In his speech on 30 April 1925 (Doc. No.99.) the Minister stated that the amount collected exceeded the budget estimate by about 1 922 million R.M. This approximate figure is made up as follows :

	Millions R.M.
Receipts from taxation exceeded the estimate by	2 067.--
Deducting the additional payments made to the States and Communes of	883.--
the net profit to the Reich amounts to ..	1 184.--
Sundry exceptional revenue items must be added:	
a) the proceeds of the minting of small coin amounted to 135 million, as opposed to the estimate of 90 million, showing a surplus of	45.--
b) loans made by the Reich for private economic purposes yielded interest to the amount of .	30.--
c) The Reichspost and the Printing Office for the period November 1923 to the end of March 1924 showed a profit of ..... which was turned over to the Reich.	75.--
d) Two items already referred to:	
Profit on minting of silver currency	220.--
Balance of Rentenbank credits held by the Reich	345.--
e) 23 million R.M. representing customs and taxes collected by the French and Belgians since 1 September and turned over to the Reich.	23 --
The surplus of revenue amounts to...	1 922.--

Excess of expenditure incurred during the financial year.

Unexpected expenditure was incurred, but on the other hand it was possible to effect certain economies during the financial year.

The unexpected budget expenditure during the financial year may be analysed as follows:

	Millions RM.
a) compensation in cash for forced reparation during the Ruhr occupation (Micum, etc.) reached ..... (55 million has also been paid since 31 March 1925).	522.--
b) 236 million R.M. were used for the repurchase of the gold loan (the Budget credit for this sum was only 100 million)	136.--
c) Compensation to Prussia in respect of loss of property through the conclusion of the Treaty ...	65.--
Compensation to various States for wood seized in the occupied areas	33.--
d) Additional compensation to German nationals for damage suffered out of the execution of the Treaty The total expenditure under this head is estimated at 270 million.	15.--
e) Estimated budget deficit (348 million R.M.) for which no loan issue was made and which (for purposes of striking a balance) must be included under ordinary expenditure	348.--
Total surplus expenditure	1 119.--
In addition, economies effected under various Budget headings (interest on the public debt; grants to unemployed) may be estimated at	560.--
so that the total of excess expenditure amounts to ...	559.--

Deducting the surplus of receipts (1 922 million R.M.) from the surplus of expenditure (559 million R.M.), a figure of 1 363 million R.M. is obtained, which is substantially the same as the figure given by the Minister for the amount available for the Reich as at 31 March 1925 (1 361 millions) not including loans granted by the Reich to the Alcohol Monopoly, etc. If the amount of such loans be deducted, a figure of 1 227 million R.M. is obtained, to represent the cash assets of the Reich as at 31 March 1925.

Uses to which this surplus of 1 227 millions is to be devoted.

Speaking confidentially at the end of his speech, the Minister explained the uses to which it was proposed to put this amount of 1 227 million:

to cover the commitments in foreign currencies made during and after the war, to ensure the supply of fish.

to meet the compensation due to the States for seizure of wood in the occupied areas,

to meet the compensation due to German nationals who incurred damage through the execution of the Treaty,

to meet the compensation due to the States for damage incurred in the occupied areas,

etc., etc.

The total of these amounts is estimated at 1 122 million. There remains therefore an amount of 1 227 - 1 122, or rather more than 100 million R.M. at the disposal of the Reich.

This amount is clearly inadequate for the finances of a great State. The Minister concluded his speech by warning his hearers against an exaggerated optimism in summing up the financial position of the Reich.

M.H.

From the French
Translated - GHL
Checked - RB
DR. QW.

I.I.9.3423. Doc. 92

BERLIN, 15 May 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE REVALORISATION BILLS IN THE REICHSTAG

(cf. Doc. No.78)

The Government has sent the Revalorisation Bills to the Reichstag. The Bills were summarised in Doc. No. 78 (Drucksachen No. 805). Certain amendments of minor importance were made by the Reichsrat.

There is a new estimate of the paper mark debt in the Explanatory Statement attached to the "Bill for the Liquidation of the Public Debt in Paper Marks" as sent to the Reichstag (1).

In Doc. No. 78 we had estimated the capital amount of the debt revalorised in accordance with the provisions of the Bill at 3.6 milliards. The official explanation gives the figure of 4 milliards approximately as the amount of revalorised old debt.

The estimate of GM 140 millions given by us in Doc. No. 78 for the annual expenditure which will be incurred for the service of the revalorised debt to the "old" holders, and for the Preferential Annuities to "old" holders in necessitous circumstances, is confirmed by the Explanatory Statement with the Bill.

M. H.

(1) In the table on page 7 of Doc.78 there should be added the Treasury Bonds without interest given in payment for damages:

Bonds with various dates of maturity (down to 1 July 1923)	490.4	millions PM
"K" Bonds without interest with various dates of maturity (down to 1 August 1934)	20 376.1	"

Under the Bill these Bonds are to be revalorised at 5 per cent of their gold value at the moment of their issue. Their paper mark amount was not given in the first Memorandum on the Revalorisation proposals.

From the French
Translated - RB
Checked - NL
QW.

I.I. 9.314 2)

Doc.93

BERLIN, 26 May 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE.

GERMAN GOVERNMENT MEMORANDUM ON STAFF REDUCTIONS IN THE SERVICES OF THE REICH.

It is known that a decree of 27 October 1923 (Reichsgesetzblatt I, page 999) laid down that a certain number of officials (25 per cent), all the employees and all the workpeople in the service of the Reich or its administrations at that date were to be either discharged, retired on half-pay or permanently retired. This reduction of staff was to be carried out by progressive stages. Two memoranda, showing the state of the reductions made as at 1 April and 1 October 1924, have been published by the Government.

The operation of the decree on staff reduction was suspended on 31 December 1924. No further staff will therefore be discharged or put on half-pay as from that date. A recently published memorandum (Drucksache No.820) shows the results obtained in the services of the Reich, the Reichspost and the State Printing Works. There is no information with regard to the Reichsbahn, which became a separate undertaking under the law of 30 August 1924.

I. Staff figures as at 1 October 1923.

	Officials x	Employees x	Workpeople x
Administrative Services of the Reich	105,976	51,394	50,046
Posts Telegraphs & Telephones & Printing	294 127	8 492	79 383
Total	400 103	59 886	129 429
		459 989	
			589 418

x These figures do not include the personnel of the Public Debt.

II. Staff reductions made between 1 October 1923 and 31 December 1924.

	Officials	Employees	Workpeople.
Administrative Services of the Reich	9 243	35 571	13 751
Posts Telegraphs & Telephones and Printing	44 065	5 542	36 026
Total	53 308	41 113	49 777
		94 421	
			144 198

The proportion of reduction to the whole staff was therefore on 1 October 1923 :

a) for officials.....13.3 per cent } 20.5 per cent } 24.5 per cent.
b) for employees.....68.7 " " }
c) for workpeople.....38.5 " "

III. Amount of reduction allowing for new posts or employment.

Although the Government was proceeding with the abolition of certain posts, fresh officials, employees or workpeople were being engaged. The roductions made, allowing for the new staff taken on, work out as follows:

	Officials	Employees	Workpeople.
Administrative Services of the Reich	7 687	32 294	5 897
Posts Telegraphs & Telephones and Printing	42 712	1 161	27 001
Total	50 399	33 455	32 898
		83 854	
			116 752

The Public Debt was not a service of the Reich until 1 April 1924. Before that date it was a Prussian service. Its personnel, when taken over by the Reich, was as follows.

Officials..... 629
Employees..... 12
Workpeople..... 97

The net reduction in proportion to the staff employed as at 1 October 1923 was therefore:

a)	officials.....12.6 per cent	18.2 per cent	19.8 per cent
b)	employees.....55.9 " "		
c)	workpeople.....25.4 " "		

Details of the reductions made in each Ministry or Administration are given in various Annexes.

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The decree on the reduction of staff in the services of the Reich provided for the dismissal of 25 per cent of the officials and of all the employees, although exceptions were made in certain individual cases.

The reductions were declared to be at an end on 31 December 1924. The number of dismissals at that date, in the case of officials, was about half the number laid down in the decree (12.6 per cent instead of 25 per cent). The proportion of dismissals amongst employees and workpeople, though numerically higher, showed none the less that the results achieved were not up to those laid down in the decree.

The memorandum gives no indication either of the amount for which the Reich was liable in respect of half-pay and pensions arising out of the dismissals, nor of the economies realised by doing away with certain posts. It is therefore impossible to give any estimate of the general economy resulting from the reduction in staff.

It may be remarked that the decree on staff reduction gave rise to considerable comment in the Press when it was first

published in October 1923, but the news that no more dismissals were to take place was greeted with general indifference.

M.H.

From the French
Translated - GHL.
Checked - RB

AA.

I.I.9.34 Doc. 94

Berlin, 26 May 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE PUBLIC DEBT OF THE REICH AS AT 31 MARCH 1925.

(see Doc. No. 86)

The tabulated statement of the public debt of the Reich as at 31 March 1925 is published in the review Wirtschaft und Statistik (see table annexed). The total amount of the debt is made up as follows:

as at 31 March 1925	2 815.6 million RM.
as at 28 February 1925	2 819.5 " "
Decrease during the month of March	3.9 million RM.

The modifications that took place affected the following items:

a) The amount of Treasury Bonds was decreased by 6 million RM., and is represented by a figure of 331.8 million RM., instead of 337.8 million RM. One million of the decrease is accounted for by the repurchase of 6 per cent Treasury Bonds repayable in 1935, and 5 millions by the decrease from 35 to 30 million RM. in Reichsmark Treasury Bonds (working funds of the Reichshauptkasse).

b) The Reichsmark counter value of the German External Loan becomes 937.8 instead of 936.9 million RM., the increase of 0.9 being due to the rise in the pound sterling.

c) There is an increase of 1.2 RM. under the item "Guarantees", which becomes 105.2 million RM. instead of 104.0 million. This item is made up, for the most part, of commitments in foreign currencies.

The following changes in the public debt of the Reich took place during the financial year 1924-1925:

Position as at 31 March 1924 (1)	2 406.0
" " " 31 March 1925	2 815.6
showing an increase during the period of	+ 409.6

The annexed table shows the figures under each item as at the beginning and end of the financial year.

The changes in the different items are as follows:

	Position on 31 March 1924	Position on 31 March 1925.	Difference
	(in millions of Reichsmarks)		
I. Treasury Bonds	598.9	331.8	- 267.1
II. Debts to Banks	1 332.0	1 413.1	+ 81.1
III. External Loan	-	937.8	+ 937.8
IV. Other debt	475.1	132.8	- 342.3
Total	2 406.0	2 815.6	+ 409.6

The increase in the debt is due to the issue of the External Loan (the Dawes loan). There is a decrease of 528.3 million RM. in all the other items taken together.

The various items have already been dealt with in Docs.No.21 and No. 74. The changes in each item are accounted for as follows:

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(1) The figures of the public debt as at 31 March 1924 were published in the review Wirtschaft und Statistik (1924 - No.22 - Doc.No.21) and the figures for Treasury Bonds and the debt to the Banks in the "Memorandum on the loans of the Reich in 1924" (see Doc.No.74). A comparison of the figures given by these two sources shows a considerable difference, (see appendix). The figure of 2 406.0 million RM., given in this document was arrived at by using the information supplied in the Wirtschaft und Statistik in respect of such items as are not given in the Memorandum, which is an official document .

I. TREASURY BONDS.			
Dollar Bonds (2)	195.0	(00)	" - 195.0 "

The Reichsbahn took over the responsibility for the Dollar bonds in return for the privilege granted to it of issuing notes.

6 per cent Bonds repayable in 1935.	210.2	(23.0)	" - 187.2 "
6 per cent Bonds repayable in 1932.	42.0	(1.4)	" - 40.6 "
or a total of	252.2	(24.4)	" - 227.8 "

The Finance Minister, in his speech of 5 May 1925, stated that during the financial year the redemption of debt had involved an expenditure of 236 million RM. The amortisation of the two issues of 6 per cent Bonds and K. Bonds (see below) together accounted for a figure of (227.8 + 1.4 =) 229.2 million RM. The difference between the expenditure for redemption of debt as estimated by the Minister and the actual figure (229.2) may be put down to the approximate and provisional character of the figures in Wirtschaft und Statistik.

K. Bonds	2.8	(1.4)	" - 1.4"
E. Bonds.		(276.0)	" + 276.0"

These two kinds of bonds were handed over to German nationals as compensation for war damages or damage arising out of the Peace Treaty, and also for the British reparation duty. The K. Bonds have been repurchased by the Government up to an amount of 1.4 million RM. It is common knowledge that out of the amount of E. Bonds issued during the financial year (276.0), 167.3 million RM., or more than half, were

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(2) The plain figures refer to the amount of the debt as at 31 March 1924: the figures in brackets ( ) refer to the amount of the debt as at 31 March 1925 and those between inverted commas " " refer to the changes in each item during the financial year.

handed over to the Ruhr industrialists (see Doc.56).

Bills in Reichsmarks	148.9	(30.0)	" - 118.9"

These bills represent the working funds of the Reichshauptkasse.

II. Debts to Banks.

to the Rentenbank	1 096.5	(1 186.7)	" + 90.2"
To the Reichsbank	235.5	(226.5)	" - 9.0"
Giving a total of	1 332.0	(1 413.2)	" + 81.2"

Besides the credit of 900 million Rentenmarks granted to the Reich by the Rentenbank Law of 15 October 1923, another credit of 300 million Rentenmarks was put at the disposal of the Reich, for the repurchase of Treasury Bonds in paper marks discounted at the Reichsbank. This repurchase was effected during the last two months of 1923 and involved an expenditure of only 196.5 million Rentenmarks. During the course of the financial year, the Rentenbank temporarily put the balance (300 - 196.5 =) 103.5 at the disposal of the Reich, which resulted in an increase of the debt by + 103.5

In January 1925 on the other hand the first amortisations provided for in the law took place in respect of the debt to

the Rentenbank	13.3)	
	)	- 22.3
the Reichsbank	9.0)	
The rate of the debt of the Reich to the Banks accordingly increased during the financial year by		81.2

III. External Loan.

The equivalent in Reichsmarks of the Dawes Loan issued during the financial year, the amortisations being taken into account, on 31 March 1925 reached a figure of 937.8 million RM. The RM. value varies with the varied fluctuations of the foreign currencies, in which it is issued.

IV. Other debt. 478.1 (132.8) "- 342.3"

This decrease, which applies principally to the item "Guarantees", is due to the elimination in December 1924 of Treasury Bonds in Turkish pounds (150 million £ T = 350 million RM. approximately) handed over during the war to Turkey by the Reich.

According to information in the "Memorandum on the loans of the Reich in 1924" and in Wirtschaft und Statistik, there were included under the heading "Other debt" (apart from the credit to agriculture of 9 million RM which was opened during the financial year) the following items as at 31 December 1924:

a) Debts of the Reich in paper marks;

b) Debts in dollar Treasury Bonds issued in America before the entry of that Power into the war;

c) Bonds in foreign currencies handed over in payment for deliveries to ensure the food supply during the war.

Dutch florins	47 000 000
Norwegian crowns	57 651 379.80

There has been very little modification in these items since 31 December 1924.

DEBT OF THE REICH (in millions of RM.)

	31 March 1924		28 Feb. 1925	31 March 1925
		(2)		
I. Treasury Bonds.				
Paper marks	0.0	0.0	0.0	0.0
Dollar bonds	195.0 (1)	210.0	-	-
6 per cent repayable in 1935.	210.2 (1)	228.6	24.0	23.0
6 per cent repayable in 1932	42.0 (1)	250.6	1.4	1.4
K. Bonds	2.8 (1)	31.4	1.4	1.4
E. Bonds	-	-	276.0	276.0
Reichsmark bills	148.9 (2)	148.9	35.0	30.0
Total	598.9	869.5	337.8	331.8
II. Debts to Banks.				
Rentenbank	1 096.5 (1)	1 100.0	1 186.7	1 186.7
Reichsbank	235.5 (1)	235.5	226.6	226.6
Total	1 332.0	1 335.5	1 413.1	1 413.1
III. External Loan.				
110 million dollars	-	-	455.8	464.3
21.36 " pounds sterling		-	423.7	425.8
25.2 " crowns	-	-	28.4	28.3
100 " lire	-	-	16.9	17.3
15 " Swiss francs		-	12.0	12.1
Total			936.9	937.8

(1) Figures given in "Memorandum on the Loans of the Reich in 1924" (Document 74)

(2) Figures given in Wirtschaft und Statistik 1924 No.22 (Document No.21).

IV. Other debt.	31 March 1924		28 Feb. 1925	31 March 1925.
Other commitments	27.4 (2)	27.4 (2)	18.6	18.6
Guarantees	447.7 (2)	447.7 (2)	104.0	105.2
Credit to agriculture (Meliorationskredit)	-	-	9.0	9.0
Total	475.1	475.1	131.7	132.8
Grand total	2 406.0	2 680.1	2 819.5	2 815.6

(2) Figures given in Wirtschaft und Statistik 1924 No.22 (Document No.21)

From the French
Translated - GHL
Checked - RB.

MH.

I.I.9.454. Doc.95.

Berlin, 26 May 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE.

THE PROBLEM OF CREDIT IN GERMANY.

(Summary of a Lecture delivered by Dr.Hirsch, former Secretary of State, to the Society for Monetary and Financial Reform),

Dr. Hirsch began his lecture by pointing out that as a general rule reality was very different from what it was supposed to be. During the period of Inflation, when everybody was certain that the Reich was being hopelessly ruined, curious tendencies were observed in the business life of Germany; fortunes changed hands, but the formation of fresh capital did not cease entirely; railways, shipping companies, industry and even agriculture invested their working capital in improvements to plant and equipment. In spite of all reverses, the population of the German nation had increased to about 64 million inhabitants; the number of individuals of working age was greater than in the whole of Germany before the war. There was, however, one weak feature in this prosperous development: capital and credit were wanting.

Dr. Hirsch agreed with Helfferich in calculating the formation of capital before the war at from 8 to 8 ½ milliard gold marks (without any allowance for increment in the value of land). This was distributed as follows: industry and trade about 2 milliards per annum, public corporations and more particularly railways about 1 milliard, credit institutions and banks ½ milliard, public and private insurance concerns 1 ½ milliards, other mortgage credits about 1 milliard, increase in bills of exchange about 3/4 and other forms of private capital about 2 3/4, thus totalling 8 1/2 milliards. Of this sum 400 millions per annum were generally considered to be invested abroad; but foreign investments must

have been considerably greater, as otherwise it would be impossible to explain the large sums of German property which were lost abroad on the outbreak of war. He therefore estimated this "Pre-war Transfer" at a somewhat higher figure.

What estimate could be made of the capital required by German industry? In the long run it could not be much lower than the pre-war figure. During the preceding year, the building market had received not more than 1 milliard marks, but it required very much more. Trade and commerce must reorganise their methods of production, as was being done abroad; for this purpose they required at least as much capital as before the war; but during the preceding year the shares issued by industrial companies did not amount to 1/7 of the pre-war figure. German foreign trade was obliged by foreign competition to agree to longer limits for payment than in 1914, and it therefore required more capital than before the war. To all these requirements must be added those for the reconstruction of the merchant fleet and also for reparation payments, the amount of which would increase from year to year.

Dr. Hirsch concluded that, in order to satisfy the requirements of industry, the annual formation of capital should be from 11 to 12 milliard marks.

In 1924, however, the amount of capital at the disposal of credit institutions had increased, exclusive of what Dr. Hirsch called "State hoarding", by about 6 to 6.5 milliard R.M. Taking into account the increase in liquid funds held by individuals and by the State, a total increase for the year was obtained of about 8 to 9 milliard marks. This figure, however, did not represent only the proceeds of the work done by the nation; it included at least 4 milliards in foreign credits or credits created by the Reich and the Rentenbank. It would appear that Germany was not

in a position to cover from her own funds more than half her credit requirements.

It was thus easy to understand, said Dr. Hirsch, that the money rate was high, and it was no use expecting a decrease in that rate. On the contrary, he expected that it would be difficult to avoid a rise, especially when certain favourable factors (return of exported capital, reappearance of hoarded foreign currency) ceased to influence the money market, and when the transfer of funds really began. "At the present time a topsy-turvy transfer is taking place and purchasing power is being transferred to Germany from abroad. But before long this state of affairs will be reversed "

According to Dr. Hirsch, the fact that the formation of fresh capital was insufficient in Germany was due less to a decrease in production than to excessive consumption. On the other hand, certain branches of industry (commerce, Banks) were uselessly encumbered. It should be added that the administration of the Reich, which cost 3 milliard marks before the war (with an army eight times greater than it is at present and a large navy) now costs 4 milliards. Finally, existing capital was badly "mobilised"; the Government was hoarding; holders of shares and bonds, who were cheated during the/inflation, displayed no eagerness to save. period of

It was of the first importance that a policy of forming fresh capital should be followed. There should be no illusions on the transfer question. Those who considered that even in the first few years the transfer would prove to be impracticable, and that part of amounts collected as Reparations would therefore be remitted to the benefit of German business, did not attribute sufficient importance to the power in the hands of the Agent-General for

Reparation Payments.

The policy of the formation of fresh capital should be accompanied by the "mobilisation" of existing capital and the "standardisation" of business.

Germany is far behind other countries - America in particular - from the point of view of industrial methods. It is not by increasing the working hours that she will be able once more to compete on the world market, but by mass production.

Dr. Hirsch then laid stress on the dangers connected with short dated foreign credits, and added that with the short sighted financial policy of German industry it would be difficult for it to obtain long dated credits. American credits should not, however, be looked upon as the prerogative of certain private Banks, everybody should benefit by them, through the intermediary of the Reichsbank.

Dr. Hirsch is a resolute opponent of the Reichsbank policy of rationing credits. It is better, he says, to pay dearly for credit than to have none at all. In his opinion, the money rate should be raised sufficiently automatically to reduce applications for credit to the indispensable minimum. Only in this way would it be possible to destroy the monopoly at present enjoyed by the Banks.

The Banks charge 14 to 15 per cent interest and allow only 5 per cent. This difference is intolerable, even if it is alleged to be "justified" to some extent by the general expenses of the Banks, which are for the most part due to faults committed during the inflation.

Finally Dr. Hirsch called for a rationed dividend policy on the part of German industry. Shareholders had been duped by the system of protective shares (Schutzaktien) and preference shares.

The issue of such special shares should be forbidden, and contracts between companies which limit the rights of the shareholders should be declared null and void.

From the French and German
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Berlin, 28 May 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE REPORT OF THE DEUTSCHE RENTENBANK FOR 1924.

The following is a complete translation of the report on the Administration of the Deutsche Rentenbank, and the Balance Sheet and Profit and Loss Account as on 31 December 1924 :

The steady fall in the value of the Reich currency, which began during the summer of 1923, forced all interested in commerce and trade to calculate their prices and conduct their book-keeping on a gold basis. There began a period during which conditions became absolutely unbearable; the paper mark became worthless as a standard of values, the prices - both wholesale and retail - followed the fluctuations of the dollar from day to day, and continued to rise until nobody could say with any idea of certainty how much the money he held to-day would purchase on the morrow. The result was a precipitate "flight from the mark" to merchandise and foreign exchange. The one desire was to get rid of any sums of money with all possible speed. Saving became an impossibility ; nobody attempted to accumulate capital; the granting of credits meant colossal losses for the lender. As a result money became very scarce, and the situation was only rendered less critical from time to time by the help of the bank-note and emergency-money printing press. The losses resulting from the depreciation of the currency led to wide-spread refusal to accept the paper mark, which in its turn led to a dangerous shortage of the most necessary food stuffs in the towns, so that the call for stabilised means of payment became more and more insistent.

The creation of the Rentenbank dates back to this period of currency distress. In those days of crisis the late Dr. Helfferich, conscious that the time for a gold currency was still far off, submitted to the Government of the Reich a scheme for the creation of a currency bank to be backed by the most important branches of industry in the country. After many weeks of discussion and doubt the plan was accepted, although in a fundamentally modified form. The idea of taking the price of rye as a basis was given up, and the gold basis substituted, chiefly because the price of rye fluctuated, and it seemed better to choose a unit capable of adaptation to the world currencies. The name "Roggenmark" (rye mark) was therefore dropped and, after much thought and consideration of various other names such as "Neumark" (new mark) and "Bodenmark" (ground mark), the term "Rentenmark" (annuity mark) was adopted. The Bank was therefore christened "Deutsche Rentenbank".

In the meantime the currency continued to depreciate to such an extent, that some sort of help became an urgent necessity. The Government of that date, and more particularly Dr. Luther who then held the post of Finance Minister of the Reich, were able to push forward the negotiations within the Government and with the representatives of the various branches of industry, who willingly placed themselves at the disposal of the promotors of the scheme, to such an extent that - in virtue of the Powers Law of 13 October 1923 - it was found possible to promulgate the Rentenbank Decree on 15 October. The said Decree came into force on 18 October 1923. This laid the foundation for a stabilised currency. Once the Rentenmark was established, it became possible to issue the currency measures which brought the

disastrous period of inflation to an end.

After the necessary preparations for the coming into force of the Rentenbank Decree had been pushed forward with all speed, the work of printing the Rentenbank notes begun, and the Executory Provisions published, it was possible to issue Rentenbank notes on 15 November 1923 in virtue of the special authorisation of the Finance Minister of the Reich, as provided under § 47 of the Provisional Executory Provisions to the Rentenbank Decree. On this date the Deutsche Rentenbank commenced to function.

The following Report covers the period 15 November 1923 to 31 December 1924. It has been split up into four sections, as the Rentenbank has been subjected to various changes in its organisation during the period in question. A fifth section deals with the business results, the Balance Sheet and the Profit and Loss Account to 31 December 1924.

I. THE DEUTSCHE RENTENBANK AS A CURRENCY BANK.

The Deutsche Rentenbank fulfilled its duties as a Currency Bank as provided for in the Rentenbank Decree, without any deviation until 11 October 1924, on which date the Law of 30 August 1924 on the Liquidation of Rentenbank notes in Circulation came into force. The Deutsche Rentenbank was not a creation of the Reich, but of the most important branches of German industry.

The following persons gave their signatures as founders of the Bank :

For Agriculture.

Dr. August Crone-Münzebrock, Geheimer Justizrat Hermann Dietrich, Regierungsrat Otto Gennes, Hermann Hillger-Spiegelberg, Dr. Gustav Rösicke-Görsdorf and Dr. August Kayser.

For Industry.

Geheimer Justizrat Dr Macimilian Kempner and Direktor Hans Kraemer.

For the Banks.

Franz Urbig and Kommerzienrat Paul Millington-Herrmann.

For the Wholesale Trade

Otto Keinath

For the Retail Trade.

Syndikus Dr. Walther Reimer.

The foundations upon which the Deutsche Rentenbank was built up were as follows:

1. Representatives of Agriculture, Industry, Trade and Commerce including the Banks, founded the Deutsche Rentenbank as a juridical unit under Private Law with a capital and original reserve totalling 3 200 million Rentenmarks.

2. The capital was procured to the extent of one half by a Law allowing the Bank to acquire mortgages denominated in gold, and carrying interest at the rate of 6 per cent in gold, on all agricultural sites of land to the extent of 4 per cent of the value as assessed for the Wehrbeitrag (National Defence Contribution). In this connection the gold mark was taken as the financial unit, and considered to be equivalent in value to the old pre-war mark. The

other half of the capital was left to the industrial, commercial and trading concerns to supply by means of bonds to be issued by them to the Bank, denominated in gold marks, and bearing interest at the same rate as the mortgages. As it was impossible to arrive at any accurate assessment on a gold basis, the charge was distributed in proportion to the business capital of each individual enterprise, the assessment for the Brotversorgungsabgabe (Duty levied in connection with the Bread Supply) being taken as a basis, as it had been levied in accordance with the latest data procured in respect of the business capital of the various concerns.

The Finance Offices were entrusted with the work of distributing the charge over the various land-owners and business concerns; they had also to collect the half-yearly interest.

The Bank had to issue Rentenbriefe (annuity letters) for minimum sums of 500 Goldmarks bearing interest at the rate of 5 per cent up to the total maximum amount of the mortgages and bonds, the said Rentenbriefe to serve as cover for the bank-notes, or "Ten Rentenbank notes. The Bank was authorised to issue Rentenbank notes for the amount of 500 Rentenmarks for every Rentenbrief for 500 gold marks, it being expressly provided that the total amount of the Rentenmarks issued was not to exceed the nominal value of the Rentenbriefe in the custody of the Bank. The Rentenbank notes were redeemable, in so far as the Bank was under the obligation to hand over one Rentenbrief for 500 gold marks in exchange for 500 Rentenmarks' worth of Rentenbank notes. The Rentenbriefe thus represented the cover for the Rentenbank notes, and - being denominated in gold -

they played a similar role to the pre-war Reichsbank notes in their relation to gold. The Rentenmark was thus theoretically placed on an equality with the gold mark.

4. The Rentenbankknotes were not legal tender but a purely private, though legally authorised, currency. The Public Cash Offices were obliged to accept them: but nobody else was. It had originally been intended to fix a ratio value between the Rentenmark and the paper mark, but this was not attempted, and matters were left to economic development, which actually brought about the desired result. The intention was that the Rentenbankknotes should be redeemable on demand only in exchange for (gold mark) Rentenbriefe. The reverse process, that is to say the issue of Rentenbankknotes against the surrender of Rentenbriefe, was not contemplated, on the ground that it might lead to a shortage of Rentenmarks and a rise in the Exchange in the event of a fall in the value of the Rentenmark.

This in itself excellent scheme never came into effect. The maximum amount of Rentenbriefe issued was reached in April 1924 with the sum of 235 500 gold marks. Provision was made for the issue of Rentenbankknotes to the amount of 2 400 million marks. The amount of capital in excess of this sum was intended to serve as original reserve. The promotors of the scheme thereby proclaimed their adherence to the quantitative theory. This fixed maximum, together with the Rentenpfennige issued by the Reich in virtue of the Decrees of 8 November 1923 and 11 February 1924, and the other media of payment in circulation (of which the small lots of the Reich gold Loan and the stabilised emergency money could only be called in by degrees) were considered sufficient to regulate the monetary circulation in Germany.

5.

There were two possible ways of placing the Rentenmark on the market, namely through the intermediary of the Reich, or through that of commerce. 1 200 millions had been provided for credits to the Reich to enable it to bridge over the period of transition from the Inflation, which came to an end when the Printing Press was closed down, to a state of ordered finances. The remaining 1 200 millions were intended for commerce.

In this connection it should be observed that (owing to the fact that the Occupying Powers refused to allow the Rentenbank Decrees to operate in the occupied territories) it was not found possible to distribute the burden as had originally been intended, namely in the proportion of half (or 3.2 milliards) to agriculture, and the other half to commercial and trading concerns. It was therefore only possible to assess the charges in unoccupied Germany, with the result that agriculture was charged to the extent of 1.963 milliards, and industry to the extent of 1.105.

Although preparations had been made for the printing of the Rentenbanknotes, progress was very slow during the early days of the Bank's activities, one reason for this being the printer's strike which lasted from 10 to 18 November 1923. The amount of Rentenbanknotes available on 1 December 1923 in consequence only amounted to 680 375 000 Rentenmarks, a very insignificant sum when it is considered that it had to be distributed over the whole Reich. It was not until the end of December 1923 that the figure of 2.2 milliards was reached, thus making possible in particular the introduction of Rentenmark transfers (giro) transactions. At first only such amounts of Rentenmarks were thrown on the market as could legally be placed at the disposal

of the Reich up to the amount of 1.2 milliards. The credits for the same amount, which the Rentenbank had designed to make available for commerce, were at first only very tentatively put on the market in the form of credits through the Reichsbank and the private Banks of Issue. The Reichsbank did not make any call on Rentenmark credits for commerce until January 1924, at which date the Reich had already received the entire sum of 1 200 millions to which it was entitled.

These early days were of immense importance from the point of view of currency policy. According to § 19 of the Rentenbank decree, Treasury Bonds of the Reich could no longer be discounted at the Reichsbank as from 15 November 1923, the day on which Rentenbanknotes began to be issued. This amounted to the closing down of the bank-note printing press, in its capacity as supplier of the money requirements of the Reich. The Reichsbank could only issue new notes against discounted commercial bills of exchange. / Any further inflation was thus made impossible. On the other hand the Reich received (in conformity with § 17 of the Rentenbank Decree) a non-interest bearing Loan of 196 459 960 Rentenmarks on account of the total loan of 1 200 millions provided for it, to redeem the bonds which it had discounted at the Reichsbank. The Reichsbank utilised this loan of 196 459 960 Rentenmarks to buy up paper marks, and thus reduced the number of paper marks in circulation, which owing to the rapid increase in foreign exchange rates had very much lost in value when compared with the gold standard. Confidence in the Rentenmarks increased. Although they were not legal tender, but merely legally recognised media of payment, a sort of interim currency, they were willingly accepted everywhere as good money, in spite of a certain amount of hostility. Their acceptance may be attributed, first

to the confidence due to the participation of all branches of industry, and to the fact that the Rentenmark could be redeemed for Rentenbriefe denominated in gold, and secondly to the visible disappearance of the paper mark from circulation as described above, with which went hand in hand the gradual systematic withdrawal of the emergency money of the Communes, industrial companies and the Reichsbahn, which had been issued for the enormous amount of approximately 600 million gold marks in November 1923. These well-planned measures served to increase confidence both at home and abroad in the prospects of the German currency. The shortage of paper marks then made it possible for the Government of the Reich and the Reichsbank to maintain the rate of 1 dollar = 4.2 billion paper marks, as fixed at the end of November. All holders of Rentenmarks who wished to acquire foreign exchange were obliged to purchase first the now very rare paper-mark for the purpose. The resulting demand for the billion-mark very considerably affected the rate of the exchange.

The fact that it was possible to maintain the simple equivalent of 4.2 Rentenmarks or 4.2 billion-marks = 1 dollar during the subsequent period and until the restrictions on the traffic in foreign exchange were abolished in June 1924, and that the Reichsbank, which now controlled all payment transactions, would exchange a Rentenmark for a billion-mark and vice-versa whenever required, was of cardinal importance in enabling the Rentenmark and the billion-mark to exist side by side without friction between the two.

From a currency point of view, the fact that the credits destined for commerce were only issued by the Deutsche Rentenbank in constant-value units, proved of decisive importance. Persons accepting credits were obliged to sign a clause, stating that they would reimburse the gold value of the amounts received.

They were therefore no longer able to gain by the fall of the mark. The danger was thus avoided of wide commercial circles having an interest, as in former years, in the fall of the currency. Values also became more stabilised, as the Banks and Savings Banks credited deposits at notice at their gold value, thus slowly reviving the desire to save. Of the credits totalling 1 200 million Rentenmarks provided for commerce and trade, 900 millions were placed at the disposal of the Reichsbank and about 71.4 millions reached commercial undertakings via the private Banks of Issue. The Reichsbank only availed itself of 800 million marks (200 millions in January 1924, a further 200 millions in February, and 400 millions in March 1924). From the end of March to 11 October 1924 the position of the Reichsbank credit remained unaltered. Although it would have been possible for the Rentenbank to have issued further commercial credits without exceeding the quota allowed for commercial undertakings, and while still retaining a certain amount to enable the Reichsbank to regulate money transactions, this course was rejected in agreement with the Reichsbank for reasons of currency policy. This point will be referred to again later. In this connection it should be observed that, although the Reichsbank only availed itself of a credit of 800 million marks from the Rentenbank, it lent considerably larger amounts of Rentenmarks. According to the State ents published by the Reichsbank, the latter had already granted Rentenbank credits to the extent of 235 millions at the beginning of January, before it had made any use ofits credit from the Rentenbank. In April the amount of Rentenmark loans, issued by the Reichsbank against Rentenmark bills and cheques and against collateral figured

at 1 276.5 millions. The following months showed very considerable fluctuations. On 7 October 1924, the Reichsbank had issued credit to the extent of 1 287 Rentenmarks. This is to be explained by the fact that the Reichsbank, as the organisation entrusted with the regulation of the entire currency circulation throughout Germany, received in the course of daily business considerable amounts of Rentenbank notes from the credits granted to the Reich, both as a result of the conversion of billion-marks into Rentenmarks and from Rentenmark giro transactions. In this way the Reichsbank was able to grant larger Rentenmark credits than it had itself taken up from the Rentenbank. From the rough calculations of the Reichsbank, it can be assumed that, of the total credits granted by it of approximately 1 287 millions, roughly 800 millions went to agriculture and undertakings connected with agriculture, the balance being received by industry and commerce.

At the time when the Rentenmark was put into circulation by means of credits to the Reich and to industry, that is to say from the end of November 1923 to March 1924, many voices were heard predicting that Rentenmark credits were merely the beginning of a fresh inflation. Even quite well-known economists were of this opinion. The argument of these critics was as follows. In the first half of November 1923 the media of payment in circulation in Germany, including constant-value emergency money, only amounted (owing to the rapid rise in the rate of foreign exchange) to 800 millions: consequently the issue of Rentenbank notes up to an amount of 2 400 million Rentenmarks (goldmarks) is a new inflation. The argument is fundamentally erroneous. There is a great difference

between the rôle played by the demand for media of payment when the currency is stabilised and when it is depreciated. This is best shown by the fact that before the war, when the currency was stable, the money in circulation only amounted to 5 to 6 milliards. During the Inflation every note or coin was speedily passed on as if it had been a hot brick. But the stabilised position resultant upon the introduction of the Rentenmark calmed the public. Individuals, confident that the currency was stabilised, held calmly to their money. Private, industrial and public enterprises accumulated larger stocks of cash, so that without any further Inflation it became possible to put into circulation a new full-value medium of payment. Simultaneously 196.5 millions of Rentenmark credits were employed for the redemption of the Treasury Bonds of the Reich, and thus for the withdrawal from circulation of an equivalent amount of paper marks. Further sums of Rentenmarks, which also could not have the effect of Inflation, were employed for the purpose of withdra ing from circulation the small Gold Loan notes of the Reich, and the constant-value emergency money.

In spite of the care which was taken in distributing the credits - a matter of no slight difficulty in view of the urgent credit requirements of agriculture - the Rentenmark and billion-mark credits had not all gone to the right quarters in February/March 1924, with the result that prices generally and the cost of living began to rise to a serious extent, threatening the stability of the currency. The position of the textile and tobacco industries in particular was such as to threaten to endanger the currency owing to the very large requirements in foreign exchange. A slight fall in the value of the billion-mark and the Rentenmark on foreign Bourses was a warning

of the danger. The Reichsbank which, in addition to the Rentenbank credits, had granted billion-mark credits for 699 millions by the end of March 1924 out of its own funds in the form of discount of trade bills, decided to cease granting credits which were a danger to the currency, and limited its facilities for discount of bills as from 7 April, rationing within the quota thus fixed in accordance with its expert knowledge of the applicants, with special attention to agriculture and the export trade. The action of the Reichsbank produced a crisis, but from the currency point of view it bore good fruits. Incidentally it had the effect of reducing Rentenmark credits.

All these measures for the stabilisation of the currency with the help of the Rentenmark, would not have continued to be successful, had they not been accompanied by financial measures aiming at restoring order in the finances of the Reich, and had it not been possible to abolish the control of the traffic in foreign exchange.

As already pointed out, the Rentenbank had placed at the disposal of the Reich a credit to enable it to redeem its Treasury Bonds at the Reichsbank, and to meet its expenditure until the Budget could be balanced. The credit was for 1.2 milliards, and the Reich had already availed itself of the total amount by the end of 1923. In December 1923 the Board of Control of the Rentenbank declined to comply with a request from the Finance Minister of the Reich to increase the credit by 400 millions out of the original reserve. The creation of the Rentenmark and the consequent closing down of the Printing Press had put a spoke in the wheel of monetary depreciation, but all efforts would have been in vain, if after an

interim period (which the 1.2 milliards were intended to cover) the Budgets of the Reich, the States and the Communes had not been balanced. The then Finance Minister of the Reich, Dr. Luther, succeeded in solving this almost hopeless problem in December 1923, before the interim credit of 1.2 milliards had been completely absorbed. The valorisation of the taxes, that is to say their collection on a gold value, which had already been introduced at that date, proved a useful measure. At the same time a stringent restriction of expenditure was carried through, mainly in the form of a reduction of officials' salaries to a minimum. The receipts from taxation were very large. Whilst the first quarter of 1924 still showed a budget deficit for the Reich of almost 100 million gold marks, the deficit for the second quarter was reduced to approximately 35 millions, whilst the third quarter showed a surplus of about 100 millions. Properly speaking, the first two quarters also showed an active balance, since about 500 million gold marks worth of gold Loan were redeemed out of revenue during this period.

The close co-operation of the Government of the Reich and the Reichsbank further resulted in the abolition of all restrictions on the traffic in foreign exchange at the end of May and the beginning of June 1924. The foreign Exchanges had indeed been kept stable in Berlin for some time previously, from the end of November 1923 in fact. In Berlin the dollar remained at the rate of 4.2 billion marks, but this was an artificial and not a real rate. It was dependent on the arrangement by which all purchases of foreign exchange were centralised at the Reichsbank, which was free to satisfy demands only in part, should the existing funds not be sufficient to meet all requirements

in full. The result of this method of distribution was that those who needed foreign exchange got into the habit of applying for much more than they really required. In this way, owing to the small amount distributed - for a long time it amounted to no more than 1 per cent in the case of the high-value currencies - the demands increased out of all proportion. The result was that the Rentenmark or billionmark was not in fact a gold mark, although it still remained so in name. All who purchased foreign exchange abroad found that the mark did not have its full value. This was one of the chief reasons for the rise in home prices. Further the rate of exchange for German currency abroad could not be kept at the same level as the Berlin rate, so that foreign exchange rates abroad, and also in the Occupied territories, were from 10 to 15 per cent higher than the Berlin rates. In the Occupied territory for example 4.50 to 4.53 billion-marks were paid for a dollar on 1 March 1924, and 4.79 to 4.82 billion-marks on 5 April 1924.

The credit restriction policy of the Reichsbank led in May to a general clearing not only of merchandise, but also of hoarded foreign exchange. The capital which had gone abroad flowed back to the country, owing to the shortage of credit and the high rates of interest paid in Germany. The amount of foreign exchange received at the Reichsbank increased considerably, and began to exceed the amounts paid out. The Golddiskontbank which was founded in April, facilitated the influx of foreign capital, and it was thus possible by the end of May, when the "ration" of high-value foreign exchange still only amounted to 2 per cent, for the Government of the Reich and the Reichsbank to contemplate what had always been the goal of the

credits restriction policy, namely the full satisfaction of all claims for foreign exchange. Notice of their intention had the result that the claims for foreign exchange, which had hitherto been made for sums much in excess of actual requirements, were quickly reduced, as everybody was afraid to receive more than he could pay for in marks. It was found possible on 29 May 1924 to increase the amount of the ration as follows : American currency up to 10 per cent, and English currency to 60 per cent. On 2 June the rates were increased to 50 and 100 per cent respectively; and from 3 June 1924 onwards the full amounts asked were granted.

That it was possible to meet the demands for foreign exchange in full, in spite of the fact that the balance of payments - a favourable balance in which is (next to budgetary equilibrium) the condition precedent to permanent stabilisation of any currency - remained adverse during the period covered by the Report, was due to the influx of foreign currency from the country and from abroad. The German currency was thus completely re-established in its full value and stable. The difficulties which arose in connection with payments in internal transactions involving commodities manufactured from foreign raw materials, and consequently requiring foreign exchange to finance their purchase were thus overcome; and in these cases also the billion-mark and the Rentenmark were taken at their full value.

II. THE TRANSFORMATION OF THE DEUTSCHE RENTENBANK.

The Rentenmark, fully guaranteed by the mortgage on agriculture and industry, and redeemable at any date for Rentenbriefe denominated in gold and bearing interest at gold value, had given sufficient proof

of the possibility of stabilising a currency even without gold cover. The "Times" described it at the time as one of the greatest achievements in the annals of the history of finance, and a well-known English economist said that it was one of the seven wonders of the world. The Rentenmark was nevertheless not intended to be a permanency. From the momont of its introduction it was not considered in the light of a new currency, but of a temporary money to bridge over the period of transition until a new currency could be introduced. It was recognised from the very beginning that Germany would be obliged to return to a gold currency, her highly developed industries requiring her to keep closely in touch with the world markets with their gold standard basis. This point was taken up in the Report of 9 April 1924 (Dawes Report) issued by the First Committee of Experts nominated by the Reparation Commission. The influence of the United States and England, specially interested as they are in the maintenance and extension of the gold standard as it existed before the war, is apparent in its pages.

It is a question which need not here be answered, whether the Rentenmark, backed by German industry and pro tanto a less expensive medium of payment for Germany than a new gold currency based on loaned gold, could not have been retained as an internal means of payment side by side with the new gold mark beyond the period proposed in the Dawes Report. The Experts' Report was accepted by Germany, and has already been carried out in so far as the foundations of our currency are concerned. According to the Experts' Report, the responsibility for the currency was to devolve on the Reichsbank alone, reorganised in accordance with the ideas contained in the said Report, and accorded

together with the Private Banks of Issue, the sole right of issuing bank notes. All other media of payment were to disappear or be limited to fixed amounts. As regards the Rentenbanknotes, the Report provided for their gradual withdrawal from circulation within a maximum period of 10 years. The procedure was as follows. The credits to the Reich were to be called in within this period by the Reichsbank out of the total revenue of the Rentenbank. The commercial credits granted out of the Loans by the Rentenbank to the Reichsbank and the private Banks of Issue were to be paid back as the bills fell due. This form of settlement, which was accepted in principle by Germany at the Conference of London, completely left out of account the requirements of German agriculture. Whilst industry could apply to the reorganised Reichsbank for credits against good class commercial bills, and could by this means repay the Rentenbank credits, agriculture could not in general adopt this course. The credits, which agriculture had received from the Rentenbank via the Reichsbank and the private Banks of Issue, were not as a rule short-term credits on merchandise bills ; they could not therefore be taken over by the Reichsbank under the new Bank Law. Had the provision for immediate repayment contained in the Experts' Report become Law, the result would have been a collapse of German agriculture the extent of which could not be foreseen.

The Inflation no doubt freed the German landed proprietor from part of his debts, most of which however carried very low rates of interest and could not be called in. But owing to the uneven development of prices for his products on the one hand, and his requirements for industrial articles on the other hand (not to

mention the high taxes, the Rentenbank charges and the bad harvest of 1924) he was obliged to incur new short-term bill debts at high rates of interest. Above all, his accumulated business capital, which he required for current expenditure disappeared for the greater part during the Inflation. For all these reasons the landed proprietors were and are in urgent need of credit. Before the war they found the funds for the development and improvement of their land chiefly by taking up mortgages with agricultural mortgage banks, "Landschaften" (Land Banks in Prussia), Savings Banks and Insurance Companies. Since the collapse of the currency swallowed up all German capital saved, while fresh capital savings can only be built up slowly owing to the general impoverishment of the country, this source of credit is not a very fruitful one at the present time. But in addition, individual credits such as the landowners, who cultivated their property on an intensive system, used to receive for the purchase of fertilisers, seed and fodder from their Banks or from the co-operatively organised Kreditkassen, to be repaid out of the profits from the harvest, are not to be had. The Banks and the co-operative organisations with their network of branches still exist and are numerous enough: but they have not the deposits, out of which to meet the credit requirements, and the capital of the Kreditkassen has shrunk enormously as a result of the Inflation.

For these reasons, the Rentenbank was given the task of directing to agriculture a proportion of the commercial credits, corresponding to the charge on agriculture, doubtful as such

a step might seem from a currency point of view in the case of a Bank of Issue. It appeared impossible to allow this source to dry up, and even withdraw such agricultural credits as had been granted.

Immediately the contents of the Experts' Report became known, the circles immediately interested in the Rentenbank were fully aware of the effect which the acceptance of the Report must inevitably have upon agriculture. As the Experts' Report only treated of the credits to industry and commerce, and said nothing of the credits to agriculture, the idea was entertained of a longer time limit for liquidating the agricultural credits, the hope being that there would be a return to normal conditions of credit before the time had run out. The Rentenmark credits granted by the Reichsbank to agriculture amounted on a rough estimate to approximately 800 millions, to which must be added 70 millions provided through the private Banks of Issue.

The discussions, which took place with the Government of the Reich and the Reichsbank after the acceptance of the Experts' Plan, led to an agreement that agriculture must be allowed several years in which to pay off its credits from the Rentenbank, and further that the draft Law to be drawn up

by all the parties should aim at a gradual transformation of the said Bank from a currency bank into an agricultural bank of credit. The proposal was founded upon a recognition of the fact that it was not sufficient merely to allow a period of years for the repayment of the agricultural credits, as agriculture was without any working funds, and fresh sources of credit must be found for it, if it was not to go under altogether. Provision was therefore made for the Deutsche Rentenbank to establish side by side with its Rentenbank Department (which had to liquidate the Bank of Issue business) a special Credit Department which was to devote the capital and certain income of the Rentenbank to granting new working credits to agriculture in place of the credits to be liquidated. Further it was planned that the Credit Department of the Rentenbank should employ the capital assets at present lying idle in its hands, together with such other tangible (real property) assets as it might procure, to take up German agricultural mortgages and place them mainly on the foreign market.

The Organising Committee provided for in the Experts' Report, which consisted of Dr. Schacht President of the Reichsbank as the German member and Sir Robert Kindersley (Bank of England) as the English member, recognised the force of the arguments of the German agriculturalists and the Rentenbank that help must be given in the direction indicated. The Committee, and in particular the English expert, Sir Robert Kindersley, insisted, however, that the Liquidation Law to be issued in virtue of the Experts' Report, must deal exclusively with the liquidation of the Rentenbank notes in circulation, and that the creation of a future Bank of Credit (the main outlines of which it had been proposed to lay down in the Law) should be regarded as an internal question affecting Germany alone.

After lengthy discussions the most which could be obtained was that the repayment of the 870 millions of the agricultural credits was allowed to take place within the short period of 3 years in three equal annual instalments. It was not possible to obtain an extension of this time limit.

These negotiations resulted in the promulgation on 30 August 1924 of the Law on the Liquidation of Rentenbank notes in circulation, which became valid on 11 October 1924. This Law, the main outlines of which are described in the following Section, brought to an end the activities of the Deutsche Rentenbank as a currency bank.

III. THE DEUTSCHE RENTENBANK AFTER ITS REORGANISATION.

Under the Liquidation Law the Deutsche Rentenbank is made responsible together with the Reichsbank for the calling in of the Rentenbank notes within a maximum period of 10 years. The Rentenbank together with the Reichsbank is to provide the necessary funds for the redemption of the Loan to the Reich, and gradually to withdraw the commercial credits amounting to 870 millions. As a Bank in Liquidation, it may no longer issue new notes in excess of the amount in circulation at the coming into force of the Law. It may only issue notes to replace others if necessity arises. The Rentenbank goes into liquidation immediately after all Rentenbank notes have been called in.

As the Rentebank can accomplish its present task without calling any longer on industrial, trading or commercial concerns or the banks for support, the responsibility of all these enterprises ceases. The agricultural charge on the other hand on the owners of sites of land permanently used for agricultural, forestry or horticultural purposes has been maintained in the manner provided for in the Rentenbank Decree. Agriculture has thus become the sole

supporter of the Deutsche Rentenbank, both in occupied and unoccupied territory. The capital of the Bank is fixed at 2 milliards.

Owing to the abolition of the charge on industrial and other concerns, and the readjustment or "subsequent" assessment of the Wehrbeitrag value it has, it is true, been found necessary to increase the charge on land sites from the 4 per cent of the Wehrbeitrag value provided in the Rentenbank Decree to 5 per cent in order to bring the capital up to 2 milliards. On the other hand the interest on the mortgages has been reduced from the 6 per cent per annum of the Rentenbank Decree to 5 per cent. This new charge is a very heavy blow for agriculture, because the deductions allowed under the Second Steuernotverordnung (Second Emergency Tax Decree) when assessing the Tax on Fortunes (Vermögen steuer),-which were of special advantage to farmers working with light soils - have been ignored in the reassessment of the Wehrbeitrag value and the new Rentenbank charge.

The Rentenbank notes in circulation are redeemed by two methods.

The withdrawal of the Rentenbank notes issued to cover the Reich credit of 1 200 millions is to be carried through by the Reichsbank, which forms a sinking fund for the purpose. This sinking fund is to be built up from interest on mortgages, from annual payments of 60 million Rentenmarks from the Reich and from the share of the Reich in the net profits of the Reichsbank. With a capital of 2 milliards and a rate of interest of 5 per cent, the receipts from mortgage interest work out at 100 millions each year. Of this sum 60 millions are immediately to be transferred to the sinking fund; while a further 25 millions are to be devoted

in conformity with § 9 of the Law to the Credit organisation which is to be founded. The balance also goes to the sinking fund. As it may be assumed that the income from the mortgages will amount to more than 85 millions per annum, and as the share of the Reich in the profits of the Reichsbank also falls to the sinking fund, it is probable that all Rentenbank notes issued to cover the Reich credits will have been withdrawn from circulation some considerable time before the 10 years have elapsed.

The withdrawal of the Rentenmark notes issued to cover the commercial credits to the amount of approximately 870 million Rentenmarks is to be effected as follows. All Rentenbank credits accorded by the Reichsbank and the private Banks of Issue are to be liquidated with all possible speed, due consideration being paid to the position of the debtor. All credits are to be liquidated within three years, that is to say by 1 December 1927. Where the credits were given through the private Banks of Issue, the work of liquidation is to be carried out by the Rentenbank through them; the Law allows it to be carried out by the Rentenbank, where the credits were given through the Reichsbank. The Reichsbank may transfer to the Rentenbank for this purpose the bills in its portfolio or a part thereof. The debt of the Reichsbank to the Rentenbank is extinguished in proportion to the amount of bills transferred by the former.

The Rentenbank is to deliver to the Reichsbank for cancellation all Rentenbank notes received by it from the credits liquidated. The Reichsbank will cancel all Rentenbank notes received in the course of payments by the Reich or by the Rentenbank. Where payment is made in Reichsmarks, the corresponding Rentenbank notes are to be withdrawn in the proportion of 1 Rentenmark = 1 Reichsmark. By this provision and the provision contained in § 22 of the Provisions in

Execution of the Liquidation Law (which states that a Rentenmark is to be taken as the equivalent of a Reichsmark for private debt payments), the Rentenmark is established as equal to the Reichsmark for the future also.

Upon the coming into force of the Law, the Rentenbank had loaned the Reich	1 200	millions
plus . . . . . which were given to the Reich for purposes of agricultural improvements (Meliorationskredite) out of the commercial credits;	9	"
Further the commercial credits given through the Reichsbank	800	"
and through the private Banks of Issue approximately	71	"
	2 080	"

There was thus a circulation of approximately 2 080 Rentenmark notes. As this figure was about 80 millions above the new limit allowed by the Liquidation Law, the Reichsbank paid back in cash, at the end of November 1924, 100 millions of the commercial credits it had received, thus bringing the circulation down to approximately 1 980 million Rentenbank notes. As can be seen from the summary of the monthly statements attached as an Annex, this figure remained practically unchanged down to 31 December 1924, as the first payment into the sinking fund by the Reich in virtue of the Law did not fall due till 1 January 1925.

With regard to the liquidation of the credits made to agriculture, 100 millions of which were repaid in cash and used for redemption purposes, an agreement was come to with the Reichsbank, entrusting the work of liquidation to the Rentenbank. To this end the Reichsbank is to transfer agricultural bills to the Rentenbank for a maximum sum of 700 millions. For technical reasons the transfer has to proceed

slowly, and the Reichsbank will thus extinguish its debt to the Rentenbank by degrees. The Rentenmark bills thus transferred amounted on 31 December 1924 to 243 491 710.14 Rentenmarks. The Rentenbank thus found itself in the position of creditor to the drawers of the bills, and will continue to be so to an even greater degree, as the transfer of bills progresses. It is thereby brought into direct business relations with a large number of banks which have discounted agricultural bills at the Reichsbank, and is now responsible for the payment of the said credits to the extent of one-third on 1 December 1925, 1 December 1926 and 1 December 1927 respectively.

The successful execution of the provisions of the Law in regard to the withdrawal of the Rentenbank notes in circulation depends entirely upon the capacity of agriculture to repay its debts within the fixed period of three years, and to continue with the payment of the mortgage interest, 60 millions at least of which has to be provided yearly by agriculture for the liquidation of the Reich credit. It has already been pointed out that agriculture will not be able to satisfy the call upon it, unless new sources of credit are opened up to it. As the Rentenbank has to restrict its activities to the liquidation of the Rentenbank notes in circulation, and may not enter into new credit transactions on behalf of agriculture, provision is made in the Law for the creation (with the assent of the Government of the Reich and the Rentenbank) of an organisation to supply agriculture with the necessary credits, and that the Rentenbank shall transfer to this organisation all the funds over which it disposes. It is further provided that this organisation shall receive from the Reichsbank those amounts (up to 25 million Rentenmarks yearly) which the latter receives as mortgage interest from the encumbered enterprises over and above the sum of 60 million Rentenmarks.

The Law has thus expressly recognised that the liquidation of the Rentenbank must be followed by special measures to assist agriculture to meet the charge devolving upon it as a result of the withdrawal from circulation of the Rentenbank notes, and to supply it with further credits.

IV. PREPARATIONS FOR THE DEUTSCHE RENTENBANKKREDITANSTALT.

In view of the credit shortage described above and of its responsibility under the terms of the Liquidation Law, German agriculture requires in the first instance "personal" credits to meet its working requirements. The credits would have to be given for several months, according to the length of time necessary for production, and be repayable at regular intervals after the harvest out of the proceeds of agricultural products. Secondly, agriculture requires long-term "real" credits (mortgages) to enable it on the one hand to introduce improvements for intensifying production and on the other hand to transform their expensive, short-term debts which in their present extent and in view of the general distress cannot be cleared with the proceeds of a harvest, into long-term debts. For this reason the numerous Bills which have been drafted for the Rentenbank-Kreditanstalt provide that the latter shall employ the funds received by it from the Rentenbank and the Reichsbank for agricultural personal credits, and shall in addition procure funds for agricultural real credits in the form of long-term repayable bonds.

The funds to be immediately available to the agricultural Kreditanstalt in virtue of § 9 of the Liquidation Law may be estimated at about 180 million Rentenmarks. As it is probable that the interest from agricultural mortgages will reach the annual amount of 85 millions (60 + 25), a further annual amount of 25 million Rentenmarks may be

expected until the Rentenbank is liquidated. To this must be added the yearly net profits of the Rentenbank which, in accordance with § 9 of the said Law, must also be handed over to the Rentenbank-Kreditanstalt. The Anstalt will therefore have considerable funds at its disposal during the coming years, which can be utilised for personal credits. It must not be overlooked, however, that under the terms of the Liquidation Law, German agriculture has to pay back to the Rentenbank a sum of 290 millions each year for the next three years. It is therefore not so much a question of the granting of new credits, as of the taking over by the Rentenbank-Kreditanstalt of credits in course of liquidation.

The plan proposed for the provision of real credits, which at a later date (after the transitional period of personal credits) may prove to be the chief task of the Rentenbank-Kreditanstalt, may be summarised as follows. The Rentenbank-Kreditanstalt is to issue bonds up to eight times the amount of its own capital, the bonds to be fully covered by mortgages of Reich, State, communal, or other publicly controlled agricultural credit institutions or German Mortgage Banks. The said credit institutions will give the actual loans, so that there will be no direct transactions with the Kreditanstalt. The credit institutions become the debtors of the Rentenbank-Kreditanstalt, and must therefore provide the latter with the necessary real security. In view of the impoverished state of the German capital market, it is proposed to attract foreign capital to finance the bonds. The provisional negotiations which have been entered into with foreign suppliers of credit, and the experience of some of the mortgage banks in matters of foreign loans, have shown that there is every reason to believe that it would not be difficult to place a uniform type of bond issued by the Rentenbank-Kreditanstalt on the foreign market, as the capital of the Rentenbank-Kreditanstalt would be an added guarantee

to the real security already furnished by the land and mortgage Banks.

The Rentenbank-Kreditanstalt is not to enter into competition with, or replace, existing personal and real credit institutions, but merely to act as banker to the existing banks. It is to be a central office for the obtaining and transmitting of credits, thus supporting the existing concerns. Provision is therefore made for it to work through the intermediary of the co-operative organisations and a number of banks which handle agricultural credit, so far as personal credits are concerned; in the case of real credits it will work through the existing Land and Mortgage Banks.

The Rentenbank-Kreditanstalt can only work effectively if all the available funds of the Rentenbank are transferred to it in conformity with § 9 of the Liquidation Law. Should anything prevent the creation of the Rentenbank-Kreditanstalt in agreement with the Rentenbank in conformity with § 9, the funds earmarked for it could not be used for agricultural credits, but would have to be devoted to redemption of the Rentenbank notes in circulation. Even after it is formed, it will be found expedient for it to keep in close touch with the Rentenbank, as otherwise there will be no guarantee that the funds which the Rentenbank may have at its disposal at a later date, will be transferred to it. Another reason for the close co-operation of the two banks is to be found in the fact that new personal credits can only be granted when and as the Rentenbank credits are liquidated. It is therefore provided that the Rentenbank-Kreditanstalt shall be an agricultural organisation with autonomous powers similar to those of the Rentenbank itself, and that the same bodies shall be represented on its Board as are represented on the Board of the latter institution. In order however to establish contact between it and the personal and real credit organisations in the Federal States, it has been agreed that the Board should be strengthened by eight further persons to be nominated by the

Reichsrat. It will be managed by the existing Management of the Rentenbank; as the banks' banker it will not require any extra staff or organisation. It will be under the supervision of the Reich.

The plan to submit to the Reichstag as one complete whole the two complementary Bills for the Liquidation of the Rentenbank and the establishment of the Rentenbank-Kreditanstalt having fallen through (owing to the objection raised by the Organising Committee) and it being found impossible to pass the two Bills at the same time (because the Offices and bodies concerned were overburdened with the drafting of the Laws necessitated under the London Agreement), the right moment for passing the Rentenbank-Kreditanstalt Bill had gone by. German agriculture had shouldered the burden of the Liquidation Law, but the Rentenbank-Kreditanstalt which had been promised to it in return, has not been called into being. Since September 1924 draft after draft has been discussed with the representatives of the Reich, of agriculture, of the States. More than six precious months have gone by; the periods for the redemption of the credits have begun to run: the position of agriculture, unable to obtain real credits and short of all funds, is becoming more and more acute: but in spite of all this distress it has not yet been found possible to get the Bill through. Fresh opposition was met at every step, fears of a political and economic character arose; private commercial circles feared that their own business would suffer; attempts were made to secure special advantages. When the Reichstag was dissolved last autumn, and the Rentenbank attempted to found the Rentenbank-Kreditanstalt by an emergency decree, agriculture in her distress received no support from the majority of the representatives of the States in the Reicharat. The Rentenbank went as far as it could, consistently with the business aspects of the scheme, to meet the wishes of the States; but it was found impossible to overcome the particularist tendencies of the latter. Obstacles were also put in the way of the founding of a share company. The plan, purely

economic in its intent, and the product of contemporary distress, became a political apple of discord, with the result that its promotors had not succeeded in founding the Rentenbank-Kreditanstalt during the period covered by the present report; nor has the position changed at the date of writing.

On the other hand, the "Treuhandstelle" for the Rentenbank was founded on 22 December 1924. As § 16 of the Liquidation Law restricts the business activities of the Rentenbank to the liquidation of credits, the latter was prevented from financing agriculture by way of credits out of the funds then available. After the competent departments of the Reich, more especially the Ministries of Food and Justice, had declared themselves after careful consideration to be in agreement with the point of view held by the Rentenbank, the "Treuhandstelle" of the Rentenbank was founded as a makeshift in the form of a company under Civil Law on 22 December 1924. In this incomplete form the "Treuhandstelle" (Trust Company) comprises the Rentenbank, the Deutsche Landwirtschaftsrat, the Reichsbank, the Prussian State Bank (Seehandlung) and the Bavarian State Bank, and is entrusted with the task of loaning and administering the funds transferred to its custody by the Rentenbank down to 1 November 1925, in accordance with a plan drawn up by the Rentenbank in agreement with the Government of the Reich. It was decided at the same time that "as soon as the Rentenbank-Kreditanstalt to be founded during the said transitional period in conformity with § 9 of the Liquidation Law with the joint assent of the Government of the Reich and the Rentenbank" has actually been constituted, the funds of the Treuhandstelle are to be transferred to it.

The above provisional settlement of the question, arrived at after all the attempts to found the Rentenbank-Kreditanstalt had failed, is unsatisfactory from every point of view, and especially in

that it does nothing for the provision of long-term real credits. It remains to add that before the end of 1924 the Treuhandstelle of the Rentenbank had placed the funds entrusted to it by the Rentenbank, and amounting at the outset to 130 millions, at the disposal of the Prussian Central Co-operative Bank (Preussische Zentralgenossenschaftskasse), the Land Banks, the official State Banks of the Federal States, the Landesbankzentrale A.G., the private Banks of Issue, the Deutsche Girozentrale and a number of other banks, for the granting of loans to agriculture.

V. COMMERCIAL RESULTS.

The balance sheet is established in conformity with the provisions of 30/31 of the Statutes of the Bank of 21st October 1924.

In regard to the individual items, the following observations are of interest.

The explanations given above under III shew that the charges upon agriculture amount to 2 milliards of RM. The reassessment through the Finance Offices has not yet been completed; but it may be assumed that the charges as reassessed, should they be any less than 2 milliards, will be inferior to the Rentenbank note circulation which, when this report was drawn up, had already fallen to below RM 1.9 milliards as a result of payments into the Sinking Fund at the Reichsbank.

The original capital on 31 December 1924 amounted to 2 milliards of RM: this corresponds to the estimated charges upon agriculture (§ 2 of the Law of 30 August 1924 on the Liquidation of the circulation of Rentenbank notes).

The Rentenbriefe which may not by law be more than the original capital, and which constitute the cover for the Rentenbank notes in

circulation, amount to RM. 1 999 844 000. The Rentenbriefe in circulation total RM. 156 000.

The Loan to the Reich amounts to RM 1.2 milliards. The first instalment of Sinking Fund payable by the Reich is due on 1 January 1925.

The Loans to private business, which figure for RM. 771 334 583.57 represent all the bills withdrawn for cancellation, together with the outstanding debt of the Reichsbank to the Rentenbank (RM. 456 508 289.86) see above under III.

The interest on the mortgages and bonds and the interest on loans and credits are shewn as "Cash in Hand, balance of Reichsbank Giro Account and Postal Cheque Account and balances with Banks".

The receipts from mortgages and bonds (RM 133 104 509.86) are less than what was anticipated, owing to the fact that, by a decree of the Finance Minister of the Reich issued in agreement with the Rentenbank, payment was postponed of half of the interest due on 1 October 1924. It was necessary to re-assess agricultural undertakings; the amount, of which payment was postponed, is reckoned towards the interest charge calculated on a basis of this new assessment, so that undertakings liable to the charge have subsequently to pay (or be refunded) the difference. As from 1 October 1924, industrial, banking, small trading and commercial concerns ceased to be responsible for the Rentenbank; these were also allowed to postpone payment of half the October interest.

Towards the end of the year under consideration a final settlement was reached between the Rentenbank and the industrial and other groups, whose liability had terminated. The settlement came into force in the new business year.

In addition to the cancellation of the postponed half of the interest due from these groups to the Rentenbank (to the amount of 16 600 000 RM) we were required to make a cash payment of 8.4 million RM. In the balance sheet an equivalent sum has been set aside for this purpose.

The receipts in respect of interest were as follows: 6 per cent (or 5 per cent in the case of agriculture for the period since 1 April 1924) for the year, on the amounts by which industry was charged in favour of the Rentenbank; 6 per cent on the interest-bearing loan to the Reich; 6 per cent on the credit granted to the Reich for purpose of agricultural improvements (Meliorationskredite); 3 per cent (3/10 of the Reichsbank rate) on the loans to the Reichsbank and the private Banks of issue, while our available funds were always invested for short periods at the rates obtainable on the open market.

Interest due on the 31st December 1924 but not received until 1925, rent and salaries paid in advance, and interest on Bonds, payment of which was postponed for the industrial groups no longer subject to the charge (to the amount of 16 600 000 RM) are shown as Miscellaneous Assets.

Miscellaneous Liabilities include, in addition to small current liabilities for 1924, interest sums which are to be refunded by arrangement, and the 16 600 000 RM which are to be cancelled under the above mentioned agreement with the industrial groups no longer subject to the charge.

The following may be noted in connection with the Profit and Loss Account.

Payments for furniture and office equipment during the year under consideration have been written off, so that only 1 RM is

entered in the Balance Sheet for this account.

The overhead expenses (713 398.91 RM) include all expenditure for salaries, allowances, costs of meetings, for rent and other outlay for material, for the discovery of money forgers, and also a loss of approximately 22 000 RM on foreign currency, almost exclusively due to the fall of the Danish Krone. In accordance with the statutory provisions, however, our foreign currency holdings are booked in such a way that they represent, as compared with the rates of exchange on 31 December 1924, a reserve several times greater than the above-mentioned loss; they consist mostly of U.S.A. dollars, but also of pounds sterling, Dutch guilders and a few Swiss francs and Swedish kronen.

At the end of the year, the personnel employed, including the Managing Board, numbered 49.

In view of the considerable wear and tear of Rentenbank notes which necessitates their replacement, as well as the need for withdrawing from circulation some notes which are specially easily forged (such as the notes for 10 and 50 Rentenmarks), in order that they may be replaced by new designs, we have set aside a fund of 7.5 million RM for the expenditure involved and for the provision of suitable business premises. The formation of a further fund of 500,000 RM is proposed for the welfare of employees.

The net profits to the amount of 181 109 591.79 RM shown in the Profit and Loss Account can be used in the sense of § 9 of the Law for the Liquidation of Rentenbank notes in Circulation. In so far as they are used in this way, the approval is required of the Board of Control of the Rentenbank (§ 14 of the Statutes), and the consent of the Government of the Reich (§ 9 of the Liquidation Law).

The possibility of distributing a dividend, for which provision was made in the Decree of 15 October 1923 for the Constitution of the Deutsche Rentenbank, no longer exists under §§ 9 of the Liquidation Law and §§ 31 (2) of the Statutes.

In view of the equality of the value which has been attained (see Section III of this report) as between Rentenmarks and Reichsmarks, and of the provision laid down in § 3 (1) of the Second Decree of 12 December 1924 for the Execution of the Coinage Law, we have drawn up the Balance Sheet and Profit and Loss Account in Reichsmarks.

The Managing Board of the Deutsche Rentenbank

KISSLER LIPP SZAGUNN

We associate ourselves with the above Report of the Managing Board.

Board of Directors and Board of Control of the Deutsche Rentenbank.

The Chairman

LENTZE.

From the German
Translated - CFH (I-IV) and NL & BWS (V)
Checked - RB
Pl.

PROFIT AND LOSS ACCOUNT.

DEBIT ITEMS	RM.	CREDIT ITEMS	RM.
Cost of the manufacture of Rentenbank notes and Rentenbriefe.....	10 083 187.08	Interest on the agricultural mortgages, and upon the debt of the representatives of industry, etc.	133 104 509.86
Payment to the Reich, being contribution to the costs of assessment and collection of interest....	1 800 000.-	Penal and moratory interest.....	416 857.79
Expenditure on Furniture...	73 047.51	Interest on Rentenmark Loans... ..	67 905 184.29
Administrative expenditure..	715 398.91	Interest on short-term investments.	8 756 635.85
Interest on Rentenbriefe....	3 962.50		
Reserves			
for the settlement with the representatives of industry etc. which have withdrawn from the Rentenbank.....	8 400 000.-		
for the reprinting of Rentenbank notes and the acquisition of suitable offices	7 500 000.-		
for grants to officials (Pension Fund).....	500 000.-		
Net profit	181 109 591.79		
	210 183 187.79		210 183 187.79

From the German
Translated - NL
Checked - RB

Doc.No.96.

BALANCE SHEET OF THE DEUTSCHE RENTENBANK AS ON 31 DECEMBER 1924.

ASSETS		Rm.	LIABILITIES		Rm.
Charge upon agriculture to an amount of 2 milliard fine gold marks		2 000 000 000	Original capital Rentenmarks	2 000 000 000	2 000 000 000.-
Rentenbriefe reserve to an amount of 1 999 844 000 fine gold marks		-	Rentenbank notes in circulation 1 980 178 583.-		1 980 178 583.-
Rentenmark loans			Rentenbriefe in circulation fine gold marks 156 000.- ...		156 000.-
To the Reich		1 200 000 000.-	Rentenbriefe interest coupons not yet redeemed 3 625 fine gold marks		3 625.-
To the Reich for agricultural improvements.... (Meliorationskredite)		9 000 000.-	Other liabilities		18 348 616.44
For Industry & Commerce,		771 334 583.57	Reserves		
of which Discounted Treasury Bills: 24 643 881.66			for the settlement with the representatives of industry &c. which have withdrawn from the Rentenbank		8 400 000.-
Till, Giro account (at the Reichsbank) Postal cheque account and balances with other banks.....		192 375 038.08	for the reprinting of Rentenbank notes and the acquisition of suitable offices.....		7 500 000.-
Office furniture & supplies		1.-	for grants to officials (Pension Fund)		500 000.-
Other assets		23 486 793.58	Net profit		181 109 591.79
		4 196 196 416.23			4 196 196 416.23

From the German
Translated - M L
Checked - R B

I.I.9.331 Doc. 97

BERLIN, 3 June 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE.

THE MOVEMENT OF FUNDS AT THE REICHSHAUPTKASSE DURING THE MONTH OF APRIL 1925.

(cf. Doc. 85)

The "Deutscher Reichsanzeiger" publishes a tabular statement showing the movement of funds at the Reichshauptkasse during the month of April 1925.

Receipts	RM 668.3	millions
Payments	649.7	"
Surplus receipts	RM 18.6	millions

I. RECEIPTS.

The figure for receipts during April is composed of :-

(a)	tax receipts collected during the month (see Doc. No. 98)	RM 652.9	millions
	Minus receipts from assigned revenues for April not yet repaid to the Reichshauptkasse	- 137.0	"
	Plus receipts from assigned revenues for April repaid to the Reichshauptkasse during April	+ 136.0	"
	Making	RM 651.9	millions
(b)	administrative receipts collected during April	16.4	
		668.3	millions

II. PAYMENTS.

The figure for payments is composed of :

(a)	General administrative expenditure (including expenditure for the execution of the Peace Treaty).....	RM 415.7	millions
(b)	Transfers of tax returns to the States and Communes	234.0	"
		RM 649.7	"

The amount of Reichsmark Treasury Bonds (Treasury working funds) remains unchanged at RM 30 millions.

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M.H.

I.I.9.3121. Doc.98.

BERLIN, 5 June 1925.

TRANSFER COMMITTEE.

ECONOMIC SERVICE.

RECEIPTS OF THE REICH FROM TAXATION FOR APRIL 1925.

(See Document 84).

The Deutscher Reichsanzeiger No.113 publishes a table showing the receipts from taxation during the month of April, 1925, the first month of the financial year 1925-1926. Below are the figures for the principal categories of taxation:-

	Receipts collected			
	Monthly average financial year 1924/25	April 1924	March 1925	April 1925
	(in millions of Reichsmarks)			
I. Taxes on incomes, sales, transport, etc.				
a) recurring	473.2	415.7	449.7	493.4
b) non-recurring	6.6	13.3	3.3	11.4
II. Customs and taxes on tobacco, beer, etc				
c) assigned	118.7	84.4	136.0	137,0
d) other	10.2	8.2	12.4	11.0
III. Miscellaneous	0.6	2.2	0.3	0.1
Total	609.3	523.8	601.7	652.9

As is known, the estimates for the revenue from taxation in the draft budget for the Financial Year 1925-1926 reproduces to within about 4 millions, the estimates for the same revenue in the budget for the preceding financial year. The returns for the financial year 1924-1925 greatly exceeded the estimates, so that it does not seem possible to rely on the new estimates in considering the returns for the month of April,1925. For this reason, the estimates figuring in the budget for the Financial Year 1925-26 have not been reproduced here.

Ministerialdirektor Sachs stated that the estimates for the revenue from taxation in the 1925-26 budget would be shortly increased to R.M. 6 527 millions, i.e., to a monthly average of R.M. 544 millions (D.R.A.No.111).

The following table gives the figures of the principal direct taxes on property and on transfers of property:-

	Receipts collected.			
	Monthly average financial year 1924/25	April 1924	March 1925	April 1925
	(in millions of Reichsmarks)			
Income Tax:-				
a) on wages	110.8	79.5	127.0	126.1
b) on income from capital	1.6	0.5	3.6	13.9
c) other	71.8	70.7	51.2	95.9
Together	184.2	150.7	181.8	235.9
Corporation Tax	26.2	26.0	26.8	23.0
Tax on Real & Personal Property	41.6	23.1	53.5	20.0
Turnover Tax:-				
a) ordinary	149.5	156.4	113.0	137.0
b) extraordinary (luxury)	9.9	9.5	9.5	9.5
Tax on Bourse Transactions:-	9.4	12.5	9.6	5.6
Transport Tax	26.1	17.8	24.3	25.9
Other Taxes	26.3	19.7	31.2	36.5
Total....	473.2	415.7	449.7	493.4

As compared with the receipts for March 1925, the increase in the returns from the Income Tax for April is due to the fact that a provisional payment fell due on April 17 last. A quarterly payment in respect of Turnover Tax, which fell due on the same date, explains the increased receipts from that tax during April. No payment in respect of the Tax on Real and Personal Property fell due during April.

The following table shews the figures for the controlled revenues:

	Receipts			
	Monthly average financial year 1924/25	April 1924	March 1925	April 1925
	(in millions of Reichsmarks)			
Customs	29.7	20.7	36.3	38.7
Tobacco Tax	42.7	34.9	43.5	49.0
Beer Tax	16.3	10.6	15.9	17.7
Sugar Tax	18.2	13.6	20.3	20.6
Alcohol Monopoly	11.8	4.6	18.0	11.0
T o t a l	118.7	84.4	136.0	137.0

The receipts from the controlled revenues slightly exceeded the level for last March. The proceeds from the Alcohol Monopoly, however, shew a decrease of 7 million RM which can be attributed in part at least to the decrease in the consumption of drinking spirits (1).

The following table, as worked out by us, shews the transfers to be made by the Reich to the States on the taxes collected by the Reich, together with the net share of the Reich.

(1) Consumption of drinking spirits :-

	in 1000 hectolitres
January 1925	50
February 1925	33
March 1925	48
April 1925	28

	Receipts collected and amounts to be transferred (according to our calculations)			
	Monthly average financial year 1924/25	April 1924	March 1925	April 1925
	(in millions of Reichsmarks)			
Total receipts of the Reich from taxation	609.3	523.8	601.7	652.9
Transfers to the States (as calculated by us)	(1) 228.7	199.0	220.7	269.4
Net receipts of the Reich	380.6	324.8	381.0	383.5

(1) According to the calculations of Ministerialdirektor Sachs (Deutscher Reichsanzeiger No. 111)

According to the figures of the Reichshauptkasse, the amount actually transferred by the Reich to the States for the month of April was 234.0 million RM. It therefore appears that the Reich still owes the States on account of transfers about (269.4 - 234.0) = 35 .4 million RM.

M. HEROIN

From the French
Translated - BWS
Checked - RB

I.I.9.3112 Doc. 99

5 June 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

SECOND LAW ON THE PROVISIONAL BALANCING OF THE BUDGET FOR THE FINANCIAL YEAR 1925-1926.

(Cf. Doc. 80)

The Reichsgesetzblatt (Part II, No. 21) publishes the text of a second law on the provisional balancing of the budget for the financial year 1925-1926, dated 29 May 1925.

The authorisation granted to the Government - by the Law of 27 March 1925 (Reichsgesetzblatt I, page 118 - Doc. No. 80) - to effect the expenditure necessary for the functioning of the administration etc. which was valid until 31 May 1925, has been extended until 31 July 1925.

For those parts of the draft budget or of the supplement to that draft, which have not yet been submitted to the Budget Committee of the Reichstag, expenditure may be incurred by the Government up to the amount corresponding to a period of 5 months.

M.H.

From the French
Translated - JMP
Checked - NL
RMD

I.I. 9.4133 Doc. 100

Berlin, 11 June 1925

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE MONTHLY RETURN OF THE RENTENBANK AS ON 31 MAY 1925

(See Document N° 88)

The following is the comparison between the balance-sheet of the Rentenbank as on 31 May 1925 and the balance-sheet as on 30 April 1925.

ASSETS	Balance-sheet of 31 May 1925	Difference as compared with that of 30 April 1925
Charges upon German Business	2 000 000 000	-
Rentenbriefe as on 30 April 1925 : 1 999 844 " " 31 May " : 1 999 844		
Loans to the Reich	1 139 840 135.67 (1)	- 31 826 531.33
Outstandig credits	780 334 583.57	-
Balance in hand; Giro Accounts Postal Cheque Accounts and Cash in hand (This item includes the RM. 160 millions placed at the disposal of the Rentenbank-Treuhandstelle)	226 953 453.29	+ 5 878 747.52
Office furniture and supplies	86 192.46	+ 310
Miscellaneous assets	-	-
LIABILITIES		
Capital	2 000 000 000	-
Rentenbank notes in circulation	1 864 410 204 (1)	- 31 826 531
Redemption of Rentenmarks in conformity with § 7c of the Law on the liquidation of Rentenbank notes	55 608 514,68	-
Rentenbriefe in circulation.....	156 000	-
Miscellaneous liabilities (interest due on Rentenbriefe)	487,50	-

(1) Conformity with § 7c of the Law on the liquidation of Rentenbank notes, Rentenmarks 31 826 531, representing interest paid by the mortgagors, have been paid into the Rentenmark Sinking Fund instituted at the Reichsbank. "Loans to the Reich" and the Rentenmark circulation have fallen correspondingly.

From the French
Translated J.M.P.
Checked B.W.S.

I.I.9.31244 Doc. 101

BERLIN, 15 June 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE.

ESTIMATE OF VOLUME OF BUSINESS DONE ON A BASIS OF THE RECEIPTS FROM THE TURNOVER TAX.

The review Wirtschaft und Statistik (No 10, p.338) publishes an estimate for the months from November 1923 to March 1924 of the volume of business done, on a basis of the receipts from the ordinary Turn-over Tax (not including the luxury tax). The table is reproduced below.

The calculation takes into account decreases in the rate of the tax (1), and variations in receipts caused by the quarterly payment of part of the tax.

Receipts from the Tax			Volume of business liable to the Tax		
Month		Millions of R.M.	Month		Millions of R. M.
December	1923	50.6	November	1923	2 025
January	1924	98.4	December	1923	3 925
February	1924	103.1	January	1924	4 625
March	1924	118.4	February	1924	5 400
April	1924	156.4	March	1924	5 175
May	1924	134.7	April	1924	6 025
June	1924	126.3	May	1924	5 750
July	1924	161.3	June	1924	5 325
August	1924	139.3	July	1924	6 225
September	1924	145.0	August	1924	6 600
October	1924	197.4	September	1924	6 525
November	1924	153.2	October	1924	6 850
December	1924	140.3	November	1924	6 375
January	1925	201.0	December	1924	8 300 (2)
February	1925	126.7	January	1925	9 450 (2)
March	1925	113.0	February	1925	8 575
April	1925	137.0	March	1925	7 550

(1) Rate of the tax fixed at:-
2 per cent as from 1 January 1922
2 1/2 per cent as from 1 January 1924
2 per cent as from 1 October 1924
1 1/2 per cent as from 1 January 1925.

(2) These figures are slightly too high, as business transactions which were still taxed in January and February at the higher rate could not be separated and have had to be estimated at the reduced rate (note taken from the Review).

" The above estimates show that in April the receipts from " the Turn-over Tax were influenced by a decrease in the volume " of business liable to the tax. The Table also shows that only " the special increase in business transactions due to Christmas " and stock-taking trade has disappeared, but that on the other " hand the volume of business taxed is still higher than it was " during the previous year. The tendency to decrease is thus " a natural one, to be attributed to the time of year."

M. H.

From the Frenhh
Translated - BWS
Checked - RB
MLG.

I.I.9.34 Doc. 102

BERLIN, 17 June 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

SITUATION IN REGARD TO THE PUBLIC DEBT OF THE REICH AS AT 30 APRIL 1925.

(See Doc. 94)

"Wirtschaft und Statistik" (No 10, page 338) publishes the statement showing the Public Debt of the Reich as at 30 April 1925 (see attached table). The total figure of the debt is as follows:

On 30 April 1925 - - - - - - - - -	2 782.4 million RM
On 31 March 1925 - - - - - - - - -	2 815.6 " "
Fall during April - - - -	33.2 million RM

The following are the items, the figures of which underwent a change :

a) The amount of the Debt in "Treasury Bonds" fell by RM 24 millions from 331.8 to 307.8 million RM. This fall is due entirely to the paying off of the "E" Bonds.

b) The debt of the Reich to the Rentenbank was paid off to the amount of RM 15 millions on 1 April 1925, in execution of the provisions of the Law on the withdrawal of Rentenmark notes (Law of 30 August 1924, Reichsgesetzblatt II page 252).

c) The value in Reichsmarks of the external loan increased from RM 937.8 to 941.6 millions. This increase (RM 3.8 millions) is due to the variations in the exchange rates of the foreign currencies in which the loan was contracted.

d) An increase of RM 2 millions in the item "Guarantees", which is mainly composed of liabilities in foreign currencies, is due to the rise in the rates of exchange of those currencies.

M.H.

Doc. 102.

DEBT OF THE REICH

(in millions of RM)

	31 March 1925	30 April 1925.
I. Treasury Bonds		
6 per cent redeemable in 1935	23.0	23.0
6 per cent redeemable in 1932	1.4	1.4
"K" Bonds	1.4	1.4
"E" Bonds	276.0	252.0
Reichsmarks Drafts	30.0	30.0
total	331.8	307.8
II. Debts to Banks		
Rentenbank	1 186.7	1 171.7
Reichsbank	226.5	226.5
total	1 413.2	1 398.2
III. External loan		
110 million dollars	454.3	452.8
21.36 " pounds sterling	425.8	431.5
25.2 " crowns	28.3	28.1
100 " lire	17.3	17.1
15 " Swiss francs	12.1	12.1
total	937.8	941.6
IV. Other debts.		
Other engagements	18.6	18.6
Guarantees	105.2	107.2
Loans to agriculture (Meliorationskredite)	9.0	9.0
total	132.8	134.8
Grand total	2 815.6	2 782.4

Doc. 103.

I.I. 9.331 Berlin, 19 June 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE MOVEMENT OF FUNDS AT THE REICHSHAUPTKASSE DURING THE MONTH OF MAY 1925.

(see Doc. 87)

The receipts and payments of the Reichshauptkasse during the month of May were as follows :

	May 1925 millions of R.M.	April 1925 millions of R.M.
Receipts	629.7	668.3
Payments	647.0	649.7
Surplus (+) Deficit (-)	- 17.3	+ 18.6

For the first two months of the financial year receipts exceeded payments by 1.3 million R.M.

1. RECEIPTS.

The figures for the Receipts for the month of May are made up as follows (the corresponding receipts for the month of April being added for comparison) :

a)	Receipts from taxation collected during the month	610.9	652.9
	deduct receipts from controlled revenues for the month, not yet handed back to the Reichshauptkasse	- 132.8	- 137.0
	and add receipts from controlled revenues for the preceding month handed back in May (April) to the Reichshauptkasse ..... 137.0)		+ 136.0
	and various balances from the financial year 1924-25 .... 3.2)	+ 140.2	
		618.3	651.9

Brought forward	618.3	651.9
b) administrative receipts collected during the month	11.4	16.4
Total receipts	629.7	668.3

2. PAYMENTS.

The figures for the payments are made up as follows:

a) general administrative expenditure (including War Charges Budget)	408.8	415.7
b) transfers to States and Communes	238.2	234.0
Total payments	647.0	649.7

The amount of Treasury Bonds in Reichsmarks (working capital of the Treasury) was unchanged at 30 million R.M.

M. H.

From the French
Translated - GL
Checked - RB.

MH.

I.I.9.31242 Doc. 104.

Berlin, 22 June 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE.

TRANSITIONAL TAX LAW (STEUERUEBERLEITUNGSGESETZ).

REGULATIONS FOR THE INCOME TAX AND THE TAX ON CORPORATIONS DURING 1924 and 1925.

(See Docs. 66 and 67)

The Reichsgesetzblatt (Part I. No.23) publishes the text of the "Law on the provisional regulation of the taxes on Income and Corporations pending the establishment of regular assessment" (Steuerüberleitungsgesetz), dated 29 May 1925.

The provisions of the Law, which is analysed below, differ considerably from the Bill submitted by the Government (Doc. 66 and 67).

I. ESTABLISHMENT OF REGULAR ASSESSMENT FOR THE TAXES ON INCOME AND CORPORATIONS.

These taxes will be regularly assessed for the first time, in accordance with the provisions of the Laws regulating the assessment, which will be published:-

a) in the second half of 1925, for income received during business years ending not later than 30 June, 1925;

b) as from 1 January 1926, for income received during the ordinary year 1925, or during business years ending after 30 June 1925.

II. REGULATIONS FOR THE TAXES ON INCOME AND CORPORATIONS FOR THE ORDINARY YEAR 1924 OR FOR 1923-1924 BUSINESS YEARS.

No regular assessment of these taxes will be established for 1924 (or business years ending in 1924). The provisional payments effected by agriculturists, industrialists and traders,

the liberal professions, etc., represent the amount of the tax due for 1924 (or business years ending in 1924). No supplementary tax will be levied. In certain cases, sums will be rebated.

Taxation Rebates.

Applications for the rebate of taxes may be submitted to the tax authorities not later than the end of July, 1925.

a) Agriculturists, traders and industrialists, who have made provisional payments the amount of which was not fixed by the authorities, may ask to have the actual amount of their debt fixed (in the event of payments made in error or of excessive payments).

b) Any tax-payer may ask for rebate of the tax, if, as the result of exceptional personal circumstances (illness, family, etc.) his tax-paying capacity has been seriously decreased.

c) Tax-payers in respect of the Tax on Wages can claim rebate of excess amounts paid during 1924, in so far as the amount of their wage exempt from taxation did not total 610 RM. for the year or 155 RM for one quarter.

III. PROVISIONAL PAYMENTS AND DEDUCTIONS IN RESPECT OF TAXATION AS FROM 1 JANUARY 1925.

Tax-payers must make the provisional payments on a basis of the rates fixed by the Decree of 10 November 1924. The régime hitherto in force is retained, although in certain cases relief is granted.

a) Agriculture and Forestry.

Provisional payments by agriculturists and agricultural companies on 15 February and 15 May 1925 for each of the first two quarters (0.75 per thousand of the value of the real estate) and, if on 15 November 1925 the assessment of the tax has not

been established, provisional payment on that date for the second half of 1925 (1.50 Marks per thousand of the value of the property). For this last period, no payment to be made if the value of the property is less than 8 000 Marks, half payment if the value is less than 25 000 Marks. There are special regulations for payments by farmers.

b) Industrialists and Traders.

The provisional payments are payable every quarter on the 10th day after the expiration of each quarter. Up to the present, monthly payments have been required from certain categories of tax-payers. (1). The same rules apply to payments by tax-payers in respect of Income-Tax and to those of tax-payers in respect of the Tax on Corporations (industrial or trading companies).

Special Provisions for Holding Companies.

Companies run for profit, which can give proof of holdings (ownership of shares, etc.) in the capital of another company run for profit (affiliated company), can decrease their provisional payments by the amount of the provisional payments of the affiliated company corresponding to their holding in the capital of that company. (See example in Annex).

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(1) The present rates are not altered. In principle, the provisional payments of traders and industrialists are calculated at 1.5 per cent (since 1 December 1924) of the sum by which the working receipts exceed the amount paid in respect of salaries and wages. There are very numerous exceptions to this rule. The rates and bases of calculation differ for certain categories of concerns. (Some concerns are authorised to pay on a basis of their fortune - rate of provisional payments 0.75 per thousand per month.)

Banks and Bankers are authorised to calculate their provisional payments at the rate of 0.0375 per thousand (per month) of their assets (as assessed for the Tax on Fortunes).

Reduced Payments may be allowed in the case of losses proved by Balance Sheets, or of profits amounting to less than the provisional payments due under existing regulations.
The payments are then postponed to a later date.
Increased Payments. may be ordered by the tax authorities on a basis of the profits realised during the first half of 1925 (or in the first half of a 1924/1925 business year ending after 30 June 1925).

For undertakings with an income of less than 12 000 Marks, the tax authorities may fix the amount of the provisional payments on a basis of the estimated income for 1925.

c) Liberal Professions, Income from Capital, Unearned Income, etc.

Tax-payers with unearned income from investments, where such income amounts to more than 2 000 Marks, have to make provisional payments every quarter. The 10 per cent deduction made at the source is reckoned towards the payments due.

The rates of the provisional payments owed by income tax payers of this class and by certain companies, which are neither industrial nor agricultural companies, (Theatres, dentists, etc.,) are fixed as follows:-

a) For income-tax payers, including limited liability companies with a capital of less than 50 000 Marks, the quarterly provisional payments are:-

for the first 3 000 Marks by which receipts exceed expenses (Werbungskosten)	10 per cent
for the next 2 000 Marks	15 per cent
for the next 5 000 Marks	25 per cent
above 10 000 Marks	30 per cent

The rate of 10 per cent on the first 2 000 Marks is

reduced by 1 per cent for the wife and for each child who is a minor and supported by the tax-payer. If the net income does not exceed 500 Marks per quarter, the rate is reduced by 2 per cent for each child who is a minor after the third.

b) for companies run for profit (theatres, etc. with the exception of companies included under a) above) ..... 20 per cent

c) for other tax-payers liable to the Tax on Corporations (companies not run for profit) ..... 10 per cent

d) Wage-earners.

The amount of the wage exempt from taxation is raised from 60 to 80 Marks per month (as from 1 June 1925). The tax is fixed at 10 per cent. The rate is reduced by 1 per cent for the wife and each child who is a minor and supported by the tax-payer, and by 2 per cent from and including the third child.

If the wage does not exceed 250 Marks per month, the reduction of 2 per cent in the rate of the tax begins as from the second child.

If the deductions at the source have exceeded the legal rates, the amount in excess must be refunded.

IV. TURNOVER TAX.

The dates for the establishment of the assessment of the Turn-over Tax must coincide with those used for the Income Tax.

Consequently, the assessment of the Turn-over Tax will be established:-

a) in the second half of the year, for concerns whose business year ends in the first half;

b) at the beginning of the following year, for concerns whose business year ends in the second half or on 31 December.

M.H.

EXAMPLES OF THE CALCULATION OF PROVISIONAL PAYMENTS.

I. PROVISIONAL PAYMENTS OF AN AGRICULTURALIST.

value of real estate, as assessed for the Tax on Fortunes 100 000 Marks

The provisional payments are as follows:-

a) on 15 February 1925, 0.75 per thousand of this value, that is	75 Marks
b) on 15 May, the same amount	75 Marks
c) on 15 November (if the assessment for Income Tax is not yet established) 1.50 per thousand, that is	150 Marks

II. PROVISIONAL PAYMENTS OF AN INDUSTRIAL COMPANY. SPECIAL TREATMENT IN FAVOUR OF HOLDING COMPANIES.

A joint-stock company has since 1 January 1924 held a half share in a limited liability company.

Amount of the assets of the joint-stock company (which pays on a basis of its fortune)	10 000 000 Mks
Provisional payments for each quarter (at the rate of 1 per thousand per month, reduced by 1/4 in application of the Decree of 10 November 1924, or 2.25 per thousand per quarter) on 10 000 000 Marks	22 500 Mks
The limited liability company makes a quarterly payment of 2 000 Marks	
The joint stock company has the right to deduct from its provisional payments half the provisional payments of the affiliated company - that is $\frac{2000}{2}$ =	1 000 Mks
Its payments are thus reduced to	21 500 Mks

III. TAX ON WAGES - MONTHLY DEDUCTION AT THE SOURCE.

a) A married workman, the father of two children who are minors, earns per month	225 Mks
Deduct(Minimum required for existence)	80 Mks.
Taxable wage	145 Mks

The rate of the tax is 6 per cent (10 per cent minus 1 per cent for the wife, 1 per cent for the first child, 2 per cent for the second child). The amount deducted from the wage will be, per month ..... 8.70 Mks.

b) The same workman earns 300 marks per month....300 Mks

Deduct (Minimum required for existence) ..... 80 Mks

Taxable wage .....220 Marks

The rate of the tax is 7 per cent (10 per cent minus 1 per cent for the wife and each of the children). The amount deducted from the wage will be, per month ... 15.40 Mks

IV. COMPANIES RUN FOR PROFIT (Theatrical concerns, companies which are neither agricultural nor industrial).

Surplus of receipts over working expenses for the quarter

15 000 Marks

a) The profit is realised by a limited liability company with a capital of less than 50 000 Marks.

Calculation of provisional payments for the quarter:-

10 per cent on the first 3 000 Marks	300 Marks
15 per cent on the following 2 000 Marks ...	300 Marks
25 per cent on the following 5 000 Marks ...	750 Marks
30 per cent on the remaining 5 000 Marks ...	1 500 Marks
Total provisional payments ..	2 850 Marks

b) The profit is realised by a Company other than a limited liability company (Joint-stock company etc.)

Calculation of provisional payments for the quarter:-

20 per cent on the 15 000 marks by which the receipts exceed the working expenses,

that is ..... 3 000 Marks.

I.I.9.4112. Doc.105

BERLIN, 1st July, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE CREDIT POLICY OF THE REICHSBANK

A SPEECH BY DR SCHACHT AT THE CONGRESS OF THE REICHSVERBAND DER INDUSTRIE (FEDERATION OF GERMAN INDUSTRIES)

Dr Schacht delivered a speech on June 26, 1925, at Cologne at the Congress of the Federation of German Industries, of which the following is a summary.

"Germany's currency is stable and will remain stable (Die deutsche Währung ist stabil und wirf stabil bleiben)," stated Dr Schacht. Those who denied this were fond of pointing out that neither prices nor the value of gold were stable, and that it was futile to take an index of prices as the standard of value. The German currency must depend on gold, as gold was the least variable measure of value. Also Germany was obliged to adopt the monetary principles of those countries which dominated the money market, and in particular America and England.

The circulation might - in theory - be reduced to 10 Marks; but the ratio between the value of Reichsbank notes and that of the other gold currencies could not be changed without violating the statutes of the Reichsbank: and neither the Reichsbank nor any Government of the Reich would ever countenance such violation of its statutes.

Germany's monetary policy however was not solely directed towards maintaining the Reichsbank notes at their gold value. There was the further necessity of providing the country with a

sufficient supply of media of payment. So long as the German economy was not in a position to provide out of its own resources the basis of a sufficient paper circulation, the value of the bank notes would indeed remain stable, but the German business world would not have the advantages therefrom, to which it was entitled. The necessity for maintaining at their gold value the notes in circulation precluded the Reichbank from yielding to the wishes of those who desired a more liberal credit policy. It was imperative to restrict credits. Rationing of credits was the second weapon to which, in view of the great demand for capital, the Reichsbank had been compelled to resort - after first trying a rise in the rate of discount - in order to prevent the currency depreciating.

Many raised objections to this policy of rationing credits which were not in themselves indefensible. Rationing, it was said, implied arbitrary action by the Reichsbank, and a tendency to favour concerns with direct Reichsbank accounts. The maintenance of the discount rate at an artificially low figure curtailed the inducement to save. The banks were led to retain larger liquid reserves than they would, if the discount rates moved automatically. All these objections were advanced. The reply was that the Reichsbank policy of rationing had this to be said for it - and it was a capital argument in its favour - that it made possible the maintenance of the discount rate at a relatively low figure: and that was calculated more than anything else to keep the price of money

down in Germany. A higher discount rate would unduly favour speculative concerns, as opposed to more solid establishments, and would have the further effect of increasing the rates asked for foreign credits, which, as it was, constituted a heavy burden. The policy of rationing credits was in short the lesser evil.

In spite of the prudence which the Reichsbank had been compelled to exercise in the granting of credits, the sums which it had lent directly or indirectly to the business world were considerable. In the middle of the current month (June, 1925) the Reichsbank credits amounted to 1 400 millions approximately, those of the Rentenbank to about 750 millions, those of the private issue banks to about 220 millions, and those of the Golddiskontbank to 10^0 millions. That made roughly 2.5 milliards of marks worth of credits accorded exclusively on the strength of the currency. This figure it would seem, represented the present possible maximum, unless the German economy were able to provide a more solid basis for the fiduciary issue. At the present time the outlook was not favourable. The effects of the Inflation had not yet disappeared, and the machinery of distribution had been enormously over-developed. The number of concerns had increased out of all proportion, which in the end necessarily meant a rise in prices. The current difficulties had not yet had the effect of reducing the numbers of such concerns or simplifying the machinery. Failures of firms were less numerous than before the war. The numbers of unemployed still weighed heavily on industry. The influence of cartels, especially cartels for fixing prices, was on the increase. The number of cartels was considerably

greater than before the war. If it was true that German industry could only live by increasing production, the value of the cartels in this connection appeared very doubtful. The "price cartels" were largely responsible for the fact that the machinery of distribution could not be simplified more rapidly. More than ever before, Germany's policy in the matter of production must be aimed at reducing prices and increasing markets.

But no efforts made in Germany to increase production could bear fruit, until the initial cause of all the evil had been removed,-namely the continual anxiety in regard to foreign policy. Confidence, the first necessary condition of the resumption of normal commercial relations between the countries, was continually being discouraged by the policy of the Entente.

It was not to be wondered at in such an atmosphere, if many people denied the possibility of effecting the transfers under the Dawes Plan. Such prophecies seemed to him (Dr Schacht) to be as premature as assertions to the contrary.

One noticed that, although the formal provisions of the Plan had been grasped, the legal and economic principles, on which these were based, threatened to escape notice altogether. The Dawes Plan was "a serious and considered experiment to recall "those in authority in the various countries to a sense of their "economic responsibilities". Germany would not be subjected to the control of any bodies other than those provided for in the Plan, and all other restrictive measures would have to be cancelled. Germany had carried out her obligations; her adversaries had not done so.

Going on to speak of foreign credits, Dr Schacht stated that the leaders of the German business world would never go further in the taking up of such credits than the internal position in Germany justified. It had caused him especial satisfaction to observe the confidence in Germany displayed by the banking world of England and America. "When the Stinnes affair became known, foreign countries "offered us their assistance. We thanked them, but said "that we would settle such internal matters without help "from outside. We should like those, who have lent us money, "to realise from this that a sense of responsibility on the part "of a debtor is the best security a creditor can have."

From the French
Translated - NL
Checked - RB
GS.

Doc. 106.

I.I.9.3121. Berlin, 2 July 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

TAX RECEIPTS OF THE REICH FOR MAY 1925.

(see Doc. 98.)

The following are the figures for the tax receipts of the Reich for May 1925 (2nd month of the financial year 1925/26). The final estimates of the Budget revenue for the financial year in question have not yet been published. The receipts for May may be compared with the receipts for the previous months shown in the table.

	Receipts collected			
	Monthly average Fin.year 1924/1925	May 1924	April 1925	May 1925
	(in millions of Reichsmarks)			
I. Taxes on income, sales, transport etc.				
a) recurrent	473.2	420.2	493.4	463.5
b) non-recurrent	6.6	4.6	11.4	3.5
II. Customs duties & Taxes on tobacco, beer etc.				
c) assigned	118.7	84.9	137.0	132.8
d) other taxes	10.2	7.7	11.0	10.9
III. Miscellaneous	0.6	1.3	0.1	0.2
Total:	609.3	518.7	652.9	610.9

As compared with the receipts for April, the receipts from all the big categories of taxation show a falling off (recurrent taxes on income, sales, transport etc. - 29.9 millions; non-recurrent taxes - 7.9 millions; customs duties and assigned taxes on tobacco, beer etc. -4.2 millions). The total receipts for May are RM 42 millions lower than those for April, but remain slightly higher than the monthly average for the receipts collected during the financial year 1924-25.

The following table shows the figures for the principal direct taxes on income, sales, transport etc. :

	Receipts collected			
	Monthly average Fin. year 1924/1925	May 1924	April 1925	May 1925
Income Tax	(in millions of Reichsmarks)			
a) wages & salaries	110.8	87.9	126.1	136.9
b) income from capital	1.6	0.7	13.9	11.9
c) other forms of income	71.8	73.5	95.9	63.3
Total	184.2	162.1	235.9	212.1
Corporations Tax	26.2	22.5	23.0	23.8
Tax on real and personal property	41.6	38.6	20.0	33.4
Turnover Tax				
a) ordinary tax	149.5	134.7	137.0	116.0
b) luxury tax	9.9	9.0	9.5	9.1
Tax on Bourse transactions	9.4	9.9	5.6	4.7
Transport Tax	26.1	19.5	25.9	26.6
Other taxes	26.3	23.9	36.5	37.8
Total	473.2	420.2	493.4	463.5

The falling off in the receipts from direct taxes during May is due principally to the reduction in the returns from anticipatory payments of income tax (Category C above) and to the reduction in the receipts from Turnover Tax.

During the month in question, the heading "Other forms of Income Tax", comprises only the quarterly anticipatory payments due by farmers and the usual monthly payments due by several categories of taxpayers.

The reduced receipts from Turnover Tax and from the Tax on Bourse Transactions may be ascribed to the slackness of trade.

The anticipatory payment for the 2nd quarter of the year in virtue of the tax on real and personal property, which was normally due on 15 May - with 10 days' grace - has been postponed to 15 June under a Law of 27 May 1925 (see Reichsgesetzblatt I, page 73).

The Finance Minister officially sanctioned this postponement as from 15 May 1925 in accordance with a vote of the Budget Commission of the Reichstag. To it may be ascribed the relatively low returns from the Tax on real and personal property during May. The receipts from the same tax during February, the date of the last quarterly payment, amounted to RM 83 millions. As announced by the Deutscher Reichsanzeiger of 18 June 1925, the Reichstag has just decided that the payment for the 2nd quarter, already postponed until 10 June, will not fall due until 15 August.

For June, the receipts from Income Tax and Corporations Tax will probably show a considerable falling off. In virtue of the Law of 4 June 1925 (Reichsgesetzblatt I, page 81, Doc.No. 104), the anticipatory payments in respect of these two taxes will fall due only quarterly, the first date of payment being 10 July. In addition, as from 1 June, the rate of 10 per cent will be chargeable only on incomes exceeding 80 marks per month (instead of 60 marks as hitherto).

The following table shows the receipts from customs duties and assigned taxes on tobacco, beer, etc :

	Receipts collected			
	Monthly average fin. year 1924/1925	May 1924	April 1925	May 1925
	(in millions of Reichsmarks)			
Customs duties	29.7	22.6	38.7	35.7
Tobacco Tax	42.7	35.9	49.0	49.5
Beer Tax	16.3	12.8	17.7	19.2
Sugar Tax	18.2	10.0	20.6	18.2
Alcohol Monopoly	11.8	3.6	11.0	10.2
Total	118.7	84.9	137.0	132.8

The reductions relate to the proceeds from customs duties and the returns from the Sugar Tax. The increased receipts from the Beer Tax is due to the season of the year.

The aggregate receipts from assigned taxes, which increased to a remarkable extent during 1924, are now at a standstill and have even slightly fallen off since January 1925, as the following table will show:

	Receipts from assigned taxes (millions of RM)
November 1924	129.7
December	146.2
January 1925	160.1
February	137.6
March	136.0
April	137.0
May	132.8

The following table shows our estimates of the transfers to be made by the Reich to the States from the taxes collected by it, as well as the net share of the Reich :

	Actual receipts & estimated transfers (millions of Reichsmarks)				
	Monthly average fin. year 1924/1925	May 1924	April 1925	May 1925	April & May 1925
Total tax receipts of the Reich	609.3	518.7	652.9	610.9	1 263.8
Transfers to the States (estimated)	228.7[x]	204.2	269.4	249.3	518.7
Net receipts of the Reich	380.6	314.5	383.5	361.6	745.1

[x] According to the statements of Ministerialdirektor Sachs (Reichsanzeiger No.111)

The Statement of the Reichshauptkasse for May 1925 shows that since 1 April 1925 the transfers to the States amounted to RM 472.2 millions. The Reich therefore appears to owe the States (518.7 - 472.2 =) RM 46.5 millions.

M. HEROIN.

From the French
Translated - JMP
Checked - RB

DR. QF.

I.I.9.4112. Doc.107

BERLIN,2 July 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

TAX ON MOTOR VEHICLES.

I. Tax on Motor Vehicles.

II. Subsidies granted by the Reich and the States to motor-car services.

III. Statistics of the number of motor vehicles in use in 1914 and 1924.

I. Tax on Motor Vehicles.

The Tax on Motor Vehicles was instituted by the Law of 8 April 1922 (Reichsgesetzblatt I, page 396); various alterations were made in the rate of the tax, and in particular, by the second Steuernotverordnung of 19 December 1923 (Reichsgesetzblatt I, page 1205).

96 per cent (100 per cent less 4 per cent for costs of collection) of the proceeds of the tax is paid back by the Reich to the States. The States are required to devote at least half of the amount thus transferred to upkeep of the roads.

All vehicles used for the transport of commodities or persons, and using roads or public highways are effected by the tax. In principle, the owner of the vehicle bears the tax.

The following are exempt :

a) motor cycles of low horse power (less than 3/4 or 1 HP).

b) motor vehicles belonging to the Reich, the States and the communes, used for fire brigade, transport of sick persons, construction of roads or street cleaning.

c) motor vehicles used exclusively for the transport of material to places where work is being carried on, or for agricultural work, even when persons and commodities are transported at the same time.

d) motor vehicles belonging to the police or the army.

e) motor vehicles of a horse power less than 8, belonging to medical men or veterinary surgeons of towns with a population less than 20,000.

Rates of the Tax. See Annex I.

II. Subsidies granted by the Reich and the States to motor-car services etc.

Only one subsidy of this kind can be traced in the drafts of the Budgets of the Reich and Prussia for the year 1925 :

			RM
Budget of the Reich	XI. I.89-)	contribution to the motor car service between Bischofswerder and Freystadt.	4 800
Budget of Prussia	15.15.46-)		2 400
		Total	7 200

A hurried glance at the Bavarian draft Budget for 1925 shows no trace of any subsidy to motor car services.

The State of Saxony subsidises a State service of motor cars. The surplus of revenue over expenditure is included in the draft Budget for 1925 (200 000 Mks - S.I.B.).

III. Statistics of the number of motor vehicles in use in Germany in 1914 and 1924.

See Annex II attached.

M. HEROIN.

From the French
Translated - GL
Checked - RB
GS.

Doc. 107.
Annex I.

RATES OF TAXATION ON MOTOR VEHICLES.

The rates of the Tax for one year are as follows:

1) motor cycles (excepting motor cycles of low horse power)

up to 1.5 HP	10 Mk.
from 1.5 to 3 HP	15 ..
from 3 to 3.5 HP	20 ..
from 3.5 to 4 HP	28 ..
above 4 HP	35 ..

2) passenger motor cars, excepting motor omnibuses, per horse power or fraction of horse power.

the first 6 HP	20 Mk. per HP
next 4 HP	40 .. ..
next 4 HP	60 .. ..
above 14 HP	80 .. ..

3) for omnibuses, lorries etc., excepting vehicles included under (4) below, according to the weight of the vehicle in running order.

up to 500 Kg.	30 Mk.
from 500 to 1000 Kg.	60 ..
from 1000 to 1500 Kg.	90 ..
.. 1500 .. 2000 ..	120 ..
.. 2000 .. 2500 ..	140 ..
.. 2500 .. 3000 ..	160 ..
.. 3000 .. 3500 ..	180 ..
.. 3500 .. 4000 ..	190 ..
above 4000 Kg	200 ..

4) for lorries propelled by steam or electricity, motor trucks used for luggage, according to the weight of the vehicle in running order.

up to 500 Kg.	15 Mk
from 500 to 1000 Kg.	30 ..
.. 1000 .. 1500 Kg.	45 ..
.. 1500 .. 2000 ..	60 ..
.. 2000 .. 2500 ..	70 ..
.. 2500 .. 3000 ..	80 ..
.. 3000 .. 3500 ..	90 ..
.. 3500 .. 4000 ..	95 ..
above 4000 Kg	100 ..

For a period of six months, the tax is 2/3 of the rate indicated above and 1/3 for a period of 2 months.

From the French
Translated - GL
Checked - RB
GS.

Doc. 107
Annex II.

STATISTICS OF THE MOTOR VEHICLES IN USE IN GERMANY.

(from the Industrie-und Handelszeitung, 1924, No.125)

	1914	1922	1923	1924
Motor cycles of high horse power	20 611	38 048	59 389	97 965
Motor vehicles for the transport of persons :				
Omnibuses and public taxi-cabs	7 732	8 915	9 044	9 333
Public administration service (posts, army, navy, communes etc.)	1 258	3 821	3 075	3 000
Commercial use and various	46 010	69 956	88 221	119 846
Lorries of less than 2000 Kg. weight :				
Administration service	710*	4 635	4 143	4 426
Agricultural ..	76*	1 288	1 946	2 081
Transport Service)		5 044	4 929	6 104
Commerce industry and)	8 285*			
various)		24 253	30 265	34 097
Lorries of less than 2000 Kg. weight	-	8 491	10 453	13 921
Total	84 682	164 451	211 465	290 773
Add motor vehicles for various uses	-	1 278	1 484	2 415
Total	84 682	165 729	212 949	293 188

* including lorries of less than 2000 Kg. weight.

From the French
Translated - GL
Checked - RB
GS.

I.I.9.34 Doc. 108

Berlin, July 3, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE.

TABLE OF SUMS IN RESPECT OF SINKING FUND AND INTEREST PAYABLE ON THE VARIOUS ITEMS OF THE PUBLIC DEBT, DURING THE PERIOD FROM JULY 1,1925 TO DECEMBER 31,1927.

In an unofficial note, the Börsen Zeitung (No.264) gives the sums in respect of Sinking Fund and interest payable on the principal items of the Public Debt during the period from July 1, 1925 to December 31, 1927.

It will be remembered that on April 30, 1925 the Public Debt was as follows (see Doc. No.102) :-

	millions of RM
I. TREASURY BONDS	
E Bonds	252.0
Other bonds (6 per cent Bonds, K Bonds, Reichsmarks Bills)	55.8
	307.8
II. DEBTS TO THE BANKS	
Rentenbank	1 171.7
Reichsbank	226.5
	1 398.2
III. OTHER DEBTS (obligations to pay, guarantees, etc.)	134.8
IV. EXTERNAL LOAN (Equivalent in Reichsmarks)	941.6
Total	2 782.4

To this figure, the following items are added in the unofficial note:-

(a) Sums still outstanding in respect of Ruhr compensation payments, about	20.0
(b) Former Public Debt of the Reich in paper marks, revalorised at 5 per cent in conformity with the Bill now under discussion, about	3 500.0
Total	6 302.4

The note further includes in the Public Debt of the Reich the following items which constitute a general charge on German economy under the Experts' Plan, and which we therefore give separately :-

	millions of RM
(c) Industrial Debentures (Industriebelastungs- und Aufbringungsgesetz of August 30, 1924, Reichsgesetzblatt I., pages 257 and 269)	5 000
(d) Debt in respect of Bonds of the German Railway Company	11 000

The Börsen Zeitung gives the dates of payment (Sinking Fund, interest) for items:- E Bonds, debts to the Banks (Rentenbank and Reichsbank), External Loan, Industrial Debentures and Railway Bonds, during the period from July 1, 1925 to December 31, 1927.

These particulars are summarised in the enclosed Table. Certain supplementary observations will be found below:-

E Treasury Bonds.

The sums indicated include payments in respect of Sinking Fund and interest.

Debt to the Rentenbank.

Under the Law concerning the withdrawal of Rentenbank Notes August 30, 1924 - Reichsgesetzblatt II, Page 252), the Reich has to pay 60 million Rentenmarks per annum, in four equal instalments, to the Sinking Fund established at the Reichsbank for the withdrawal of the Notes. The dates and amount of the payments due are shown in the Table.

The Sinking Fund is further increased by payments from the share of the Reich in the profits of the Reichsbank.

Debt to the Reichsbank

At the time of the occupation of the Ruhr, the Reichsbank made advances to the Reich in foreign currency. According to the agreement of July 5, 1924, which came into force on October 11, 1924.

a) 100 000 000 RM are due on October 1, 1974 and yield interest at the rate of 2 per cent per annum;

b) 135 510 013 RM are redeemable in 15 equal instalments and yield interest at 3 per cent per annum.

The enclosed Table only shows the sinking fund payments in respect of the second part of the Debt (b). A first instalment of 9 million RM fell due on January 1, 1925.

External Loan

The sums given in the Table also include the German share of £ 360 000 intended to cover the cost of issue, delivery, etc., the Sinking Fund and interest conditions of which are the same as those for the European "tranche" of the Loan.

Industrial Debentures

The sums shown in the Table represent the service of interest on these Debentures.

In virtue of the Law of August 30, 1924 (Reichsgesetzblatt II, page 257), the Debentures yield no interest during the first year September 1, 1924 to August 31, 1925); during the second year they yield interest at the rate of 2 1/2 per cent, and 5 per cent as from the third year. The interest is payable in two equal instalments, on April 1 and August 25. The Debentures are redeemable as from the fourth year at the rate of 1 per cent per annum and by means of the sums saved from the service of interest.

Railway Bonds

The sums shown in the Table represent the service of interest on these Bonds.

Under the Law on the German Railway Company and its annexes (Law of August 30, 1924, Reichsgesetzblatt II, page 272), the railway bonds yield interest at 5 per cent per annum and are redeemable as from the 4th year at the rate of 1 per cent per annum, plus the sums saved from the service of interest.

Interest for the first three years is, however, fixed as follows:-

200 million gold marks for the first year,
595 million gold marks for the second year
550 million gold marks for the third year
660 million gold marks as from the fourth year.

M.H.

From the French
Translated - BWS.
Checked - RB.

Ro.

TABLE SHOWING THE SINKING FUND AND SERVICE OF INTEREST

Doc.103.

OF THE PRINCIPAL ITEMS OF THE PUBLIC DEBT OF THE REICH AS WELL AS OF THE INDUSTRIAL BONDS AND RAILWAY DEBENTURES - FOR THE PERIOD JULY 1, 1925 TO DECEMBER 31, 1927.

	"E" Treasury Bonds	Debts to the banks: to the Rentenbank	Debts to the banks: to the Reichsbank	External Loan	Industrial Debentures	Railway Bonds
I. Debt as at April 30, 1925				(in millions of Reichsmarks)		
	252.0	1,171.7	226.5	941.6 (1)	5,000	11,000
II. Sinking fund and Service of interest						
	Sinking fund and Service of interest (Reichsmarks)	Sinking fund (Reichsmarks)	Sinking fund (Reichsmarks)	Sinking fund foreign exchange	Service of interest	Service of interest (Reichsmarks)	Service of interest (Reichsmarks)
1925						
July 1	43,553,475 (Series 3)	15,000,000				
September 1						100,000,000
October 1	35,997,500 (Series 1)					
	5,906,250 (Series 2)	15,000,000				
October 15				$ 4,620,000	3,850,000	
				£.s.d. 343,403/1/10	760,200	
				Lire 1,581,000	3,500,000	
				Swed.Crowns 398,000	882,000	
				Swiss Frs. 237,157.3	525,000	
1926.						
January 1	45,627,450 (Series 3)	15,000,000	9,000,000			
March 1						297,500,000
April 1	37,633,750 (Series 1)					
	6,187,500 (Series 2)	15,000,000			62,500,000	
April 15				$	3,696,000	
				£.s.d.	748,179/6/10	
				Lire.	3,444,665	
				Swed.Crowns	868,070	
				Swiss Frs.	516,699.5	

April 15				$		3,696,000	
				£.s.d.		748,179/6/10	
				Lire.		3,444,665	
				Swed.Crowns		968,070	
				Swiss Frs.		516,699.5	
June 1	47,701,425 (Series 3)	15,000,000					
August 25							62,500,000
September 1							297,500,000
October 1	6,468,750 (Series 2)	15,000,000					
October 15				$	4,620,000	3,696,000	
				£.s.d.	367,441/18/2	748,179/6/10	
				Lire	1,691,500	3,444,665	
				Swed.Crowns	426,000	968,070	
				Swiss Frs.	253,758.8	516,699.5	
1927.							
January 1		15,000,000	9,000,000				
March 1							275,000,000
April 1		15,000,000					125,000,000
April 15				$		3,942,000	
				L.s.d.		735,318/19/7	
				Lire		3,685,462.5	
				Swed.Crowns		953,160	
				Swiss Francs		507,817.9	
July 1		15,000,000					
August 25							125,000,000
September 1							275,000,000
October 1		15,000,000					
October 15				$	4,620,000	3,942,000	
				L.s.d.	393,162/12/8	735,318/19/7	
				Lire	1,810,000	3,685,462.5	
				SwedCrowns	456,000	953,160	
				Swiss Frs.	271,522	507,817.9	

(1) Equivalent in Reichsmarks.

I.I.9.811 Doc. 109

BERLIN, July 10, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE.

PROVISIONAL RESULTS OF THE CENSUS OF THE POPULATION OF THE REICH.

A census of the population of Germany was taken on June 16, 1925 and the Office of Statistics of the Reich has announced that upon the basis of provisional figures furnished by the States and Communes, the population, exclusive of the Saar, amounts to 62⅛ millions.

It was not possible to take the census simultaneously in the district of the Saar owing to its temporary separation from the districts under German administration. The population of the Saar amounts approximately to 750 000, so that the total population of the German Reich in its present extent (that is, including the Saar) is 63 1/4 millions.

This figure is approximately equivalent to the figure given for the population of the old Reich at the end of 1908. Upon the outbreak of the World War, the country had a population of 68 millions. Germany's losses in population may be accounted for as follows : on account of territory ceded, about 7 millions; owing to direct war causes, killed 2 millions, victims of the blockade, 3/4 million, fall in the birth rate as a result of the war 2 1/2 millions. If it had not been for the War and its consequences, the German Empire, developing normally within its former frontiers, would have increased its population by now to nearly 75 millions.

Taking the Reich as it stands today (always excluding the territory of the Saar), the census of June 16, 1925 shows an increase of population of about 3.3 millions, or 5.6 per cent,

when compared with the results of the census taken on 8 October, 1919. This increase is at an average of 578 000 a year. Owing to the war, the population only increased by 1.4 million, or 2.4 per cent, during the period between the census of 1910 and that of 1919. A comparison between the figures of the last pre-war census (December 1, 1910) and the figures of the census taken on June 16, 1925, shows an increase in the population of 4.7 millions or 8.1 per cent for the Reich as it stands at present. The following are the figures for the total population of Germany within her present frontiers (not including the Saar):

	Total	Male	Female
June 16, 1925	62 468 762	30 168 033	32 300 729
October 8, 1919	59 178 185	28 171 980	31 006 205
December 1, 1910	57 798 369	28 489 817	29 308 552

According to the census, the density of population to the square kilometer averaged :

1925	1919	1910
132.9	125.9	122.9

The war has very greatly altered the proportion of males to females in the country. Whilst the proportion before the war (1910) was 1 029 females to every 1 000 males, the 1919 returns showed 1 101 females to every 1 000 males. The recent census still shows a surplus of females (1 074 females to 1 000 males), but a definite reaction has taken place in the five years and eight months between the 1919 and the 1925 census in the abnormal excess of the number of females over that of males due to the war. During this period the male population has increased by 1 996 053 while the female increased only 1 294 524. In other words the total increase of 3 290 577 consists of 60.7 per cent males and 39.3 per cent females.

There have been very important changes in the geographical distribution of the population, when compared with the pre-war period, as the following tables show.

POPULATION OF THE REICH AND THE STATES.

STATES	Population, according to the census, within the post-war territorial frontiers of the Reich (excluding the Saar).		
	June 16,1925	October 8,1919 (1)	December 1,1910
Prussia	38 138 460	36 100 926	35 000 830
Bavaria	7 398 991	7 055 459	6 882 237
Saxony	4 970 301	4 663 298	4 806 661
Wurtemberg	2 591 340	2 518 773	2 437 574
Baden	2 319 581	2 208 503	2 142 833
Thuringia	1 624 675	1 508 025	1 510 538
Hesse	1 350 986	1 290 988	1 282 051
Hamburg	1 134 112	1 050 359	1 014 664
Mecklenburg-Schwerin	685 123	657 330	639 958
Oldenburg	551 805	517 765	483 042
Brunswick	508 322	480 599	494 339
Anhalt	351 471	331 258	331 128
Bremen	331 381	311 266	299 526
Lippe	165 621	154 318	150 937
Lübeck	127 460	120 568	116 599
Mechlenburg-Strelitz	111 831	106 394	106 442
Waldeck	58 641	55 999	52 358
Schaumburg-Lippe	48 661	46 357	46 652
German Reich (excluding the Saar)	62 468 762	59 178 185	57 798 369

(1) Excluding mobilised soldiers and sailors who had not returned to their families by the day of the Census (about 400 000).

From the French
Translated - CFH
Checked - NL
Ro.

I.I.9.34 Doc. 110

Berlin, July 16, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE.

THE POSITION OF THE PUBLIC DEBT OF THE REICH

AS AT MAY 31, 1925.

(See Doc. 102.)

"Wirtschaft und Statistik", No.12, publishes a statement showing the Public Debt of the Reich as at May 31, 1925 (see attached table). The total figure of the debt is as follows:

On 30 April 1925	2 782.4 million RM.
On 31 May 1925	2 714.1 .. ..
Fall during May	68.3 million RM.

The following are the items, the figures of which underwent a change:

(a) The amount of the Debt in Treasury Bonds fell by 36.0 million RM. from 307.8 to 271.8 million RM. 35 millions' worth of "E" Bonds were paid off during May, and 1 million of 6 per cent Bonds, repayable in 1935, were redeemed.

(b) The Debt of the Reich to the Rentenbank was paid off to the extent of 31.9 million RM. The explanations attached to the Balance Sheet of the Rentenbank of May 31, 1925, show that, in execution of §7a of the Law of August 30, 1924 on the withdrawal of Rentenbank notes (Reichsgesetzblatt II page 252), 31.9 million RM. derived from the collection of interest due by land-owners, were paid into the Sinking Fund constituted at the Reichsbank, with the result that the Public Debt of the Reich is reduced by that amount.

(c) The changes in the other items of the Debt (External Loan - guarantees) are explained by the fluctuations in the rates of exchange of foreign currencies.

Marcel HERCIN.

From the French
Translated - CFH
Checked - NL

MH.

Doc. 110.

Annex

PUBLIC DEBT OF THE REICH.

(in millions of RM.)

		April 30, 1925	May 31, 1925
I.	**Treasury Bonds.**		
	6 per cent redeemable in 1935	23.0	22.0
	6 per cent redeemable in 1932	1.4	1.4
	"K" Bonds	1.4	1.4
	"E" Bonds	252.0	217.0
	Reichsmark Drafts	30.0	30.0
	Total:	307.8	271.8
II.	**Debts to Banks.**		
	Rentenbank	1 171.7	1 139.8
	Reichsbank	226.5	226.5
	Total:	1 398.2	1 366.3
III.	**External Loan.**		
	110 million dollars	452.8	451.2
	21.36 million pounds sterling	431.5	432.1
	25.2 .. crowns	28.1	28.1
	100 .. lire	17.1	16.6
	15 .. Swiss francs	12.1	12.1
	Total:	941.6	940.1
IV.	**Other Debts.**		
	Other engagements to pay	18.6	18.6
	Guarantees	107.2	108.3
	Loans to agriculture (Meliorationskredit)	9.0	9.0
	Total:	134.8	135.9
	GRAND TOTAL:	2 782.4	2 714.1

From the French
Translated - CFH
Checked - NL.

I.I.9. 311 Doc. 111

BERLIN, July 21, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE MOVEMENT OF FUNDS AT THE REICHSHAUPTKASSE DURING THE MONTH OF JUNE 1925.

(See Doc. 103)

The receipts and payments of the Reichshauptkasse since the beginning of the financial year 1925-1926 amount to the following figures :

	June	May	April
	(in millions of RM)		
Receipts	546.9	629.7	668.3
Payments	586.3	647.0	649.7
Surplus (+) Deficit (-)	- 39.4	- 17.3	+ 18.6

For the first three months of the financial year, the receipts amount to RM 1 845.0 millions, and the payments to RM 1 883.0 millions leaving a deficit of RM 38.0 millions.

The reduction in the receipts for June is due to the smaller return from Income tax (see Doc. 106).

I, RECEIPTS.

The receipts for June are composed of

a) Receipts from taxation collected during the month	RM 561.3 millions
minus receipts from controlled revenues for the month, not yet handed back to the Reichshauptkasse	- 150.3 "
plus receipts from controlled revenues for the preceding month handed back to the Reichshaupt-kasse in June	+ 132.8
Carry forward	543.8

Brought forward RM 543.8 millions

b.	Various receipts collected during June	3.1
	Total receipts	546.9

II. PAYMENTS.

The payments are made up as follows :

a.	general administrative expenditure (including War Charges Budget)	RM 362.1 millions
b.	transfers to States and Communes	224.2 "
	Total payments	RM 586.3

The amount of Treasury Bonds in Reichsmarks remains unchanged at RM 30 millions.

M.H.

From the French
Translated - JMP
Checked - NL.

Ro.

I.I. 9.4133. Doc. 112

Berlin, July 22, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE RETURNS OF THE RENTENBANK AS AT JUNE 30, 1925.

(see Document No. 100)

The following is the comparison between the balance of the Rentenbank as on June 30, 1925 and the balance as on May 31, 1925.

A S S E T S	Balance as on June 30, 1925	Difference compared with balance on May 31.
	(1)	
Charges on German business	2 000 000 000	-
Amount of Rentenbriefe on March 31,1925 RM 1 999 844 000 on April 30, " " 1 999 844 000		
	(2)	
Loans to the Reich	1 130 989 345.67	- 8 850 790
Outstanding credits.	780 334 583.57	-
Cash in hand: Giro assets, Postal Cheques, and Bank assets	237 506 141.34	+ 10 552 688.05
Office Supplies and furniture .	87 187.46	+ 1 045
Miscellaneous assets	-	-
L I A B I L I T I E S		
Capital.	2 000 000 000	
	(2)	
Notes of the Rentenbank in circulation	1 855 559 423	- 8 850 581
Rentenbriefe in circulation. . .	156 000	-
Redemption of Rentenmarks conformably with § 7c of the Law on the Liquidation of Rentenbank notes.	55 608 514.68	
Miscellaneous liabilities (interest due on Rentenbriefe)	3 762.50	3 275

(1) According to the data to hand in regard to the new distribution of the charges on agriculture, the total charge appears to amount to RM 2 021 188 103.

(2) Conformably with the law on the Liquidation of Rentenbank notes, 8 850 781 Rentenmarks, representing interest paid by mortgage debtors, have been paid afresh into the Sinking Fund instituted at the Reichsbank.

Loans to the Reich and the circulation of Rentenmark notes have fallen by the same amount (8 850 781 Rentenmarks).

Since the coming into force of the Law on the Liquidation of Rentenbank notes, there have been paid into the Sinking Fund :

40 677 312 Rentenmarks, in execution of § 7 of the Liquidation Law
28 333 333.33 " " § 7b "
55 608 515.67 " " § 7c "
and 100 000 000 " " § 11 "

making a total of 224 619 160 Rentenmarks.

From the French
Translated - NL.
Checked - RB.
DR.

I.I.9. 23

Doc. 113

BERLIN, July 28, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE.

I N T R O D U C T I O N

TO THE REGULATIONS FOR DELIVERIES IN KIND

FOR THE USE OF FRENCH BUYERS.

The French regulations concerning the Working on the Reparations on Kind have been issued in the form of an "Introduction to the Regulations concerning the Deliveries in Kind" (Wallenberg Rapport). They were not published in the Journal Officiel, but in the form of a book together with the "Regulations" themselves issued by the Journal Officiel Publishing Office. A translation of this "Introduction" isgiven below.

"The French buyer, desirous of purchasing German goods on reparation account may find himself faced successively by the following questions:

I. WHAT GOODS OR SERVICES ARE TO BE REGARDED AS THE SUBJECT MATTER OF A REPARATIONS CONTRACT ?

II. WHAT FORM IS TO BE GIVEN TO A COMMERCIAL CONTRACT FOR IT TO BE ACCEPTED AS A REPARATIONS CONTRACT ?

III. WHEN THE COMMERCIAL CONTRACT IS ACCEPTED, WHAT ARE THE FORMALITIES TO BE OBSERVED TO MAKE IT A REPARATIONS CONTRACT AND WHAT ARE THE TIME LIMITS NECESSARY ?

IV. WHAT DISTINGUISHES A COMMERCIAL REPARATIONS CONTRACT FROM AN ORDINARY CONTRACT AS REGARDS EXECUTION ?

The replies to the above questions will be found hereafter, accompanied by references to the corresponding passages of the Regulations, and by helpful commentaries. Until the special

organisation is constituted, for which a scheme is at present pending before Parliament, additional information may be obtained in each individual case from the Secretariat of the Inter-Ministerial Committee for Reparations (Sub-Department for Commercial Relations at the Ministry for Foreign Affairs, 130 rue de l'Universite), or from the French Delegation of the Reparation Commission, 1 rue de Presbourg.

I.

WHAT GOODS OR SERVICES ARE TO BE REGARDED AS THE SUBJECT MATTER OF A REPARATIONS CONTRACT ?

A: Goods.

The reply is contained in Article 1 of the Regulations and in the lists A, B, C and D annexed thereto, which enumerate the goods which cannot be called for on reparation account, or which can only be called for under certain conditions.

If the goods required are not to be found on any of these lists, the buyer may make them the subject of a commercial contract concluded with the German seller of his choice, without his having to obtain any prior assurance as to the possibility of his obtaining the said goods on reparation account.. This possibility is understood in advance, provided the seller agrees to the contract being executed on reparation account, and that the goods sold are actually of German origin. A German may not sell on reparation account an object manufactured in an Allied or neutral country, which has only passed through Germany in transit or has not passed through Germany at all.

If the goods correspond to those enumerated in List B or D, the buyer must ascertain whether the fixed quotas have been absorbed or not. He can do this with the help, in the case of List B, of the

programmes which the Reparation Commission is to draw up from time to time (Article V), or, in the case of List D, by studying the List itself.

If the goods correspond to those contained in List C, the contract can only be a reparation contract for part of the value of the goods; the remaining part of the value, to be determined by the corresponding coefficient of the List, shall be paid direct in the ordinary way of trade.

Buyers not familiar with the nomenclature of List C, which is taken from the German Customs Tariffs, may find some difficulty in interpreting it; information on this point may be obtained in each individual case from the organisations mentioned in the foreword hereto.

The French buyer must further note that purchases of coal, nitrogen fertilisers and dyes on reparation account are at present centralised at the following addresses:

for coal:	Office of Devastated Coal Mines 54, Avenue Marceau.
nitrogen fertilisers:	Office for Nitrogen, 57, Chaussee d'Antin.
dyes & pharmaceutical products:	Central Office for the Supply of Dyes on account of Deliveries in Kind, 53, rue de Chateaudun.

With regard to river shipping material, it is advantageous, but not compulsory, to pass via the National Office of Navigation, 20, rue Dumont d'Urville.

B: Services.

1) Transport: As a general rule, transport outside Germany cannot be paid on reparation account, even though connected with a contract for the delivery of goods. Transport costs must be paid direct. There are only two exceptions: a) where the cost of transport is less than 400 gold marks; b) where transport is

effected under the German flag, by navigable waterway or by sea. (Article IV, Section II, § 1 and 5).

According to the meaning of this paragraph, Germany is the territory in which the Reichsmark is legal tender.

2) Erection: In the same manner, the erection outside Germany (for which the seller is responsible) of a machine or group of machines, must be paid direct to the extent of 50 per cent of its value, unless the costs of erection are less than 1,000 gold marks. (Article IV, Section 2, § 2).

C: Installation of a factory or plant, and employment of German labour outside Germany.

The regulations governing direct payment are contained in Article IV, Section II, § 3 and 9.

COMMENTARY. The restrictions contained in the Regulations in respect of the obtaining of goods and services on reparation account have their origin in the Experts' Plan and the London Agreements.

According to the text of these documents, deliveries in kind must not be effected to the detriment of Germany's internal requirements, and they must be restricted as much as possible to products natural to her. The first condition finds its expression in the Regulations by the exclusion or the rationing of certain categories of deliveries (Lists A, B, D, - coal and synthetic nitrogenous products). The second condition has led to the exclusion from reparations, when it exceed 25 per cent of the total price of the goods, of the value of raw materials contained in the goods which Germanybhas to procure on foreign markets, as also within the limits mentioned above of the value of transports outside Germany and that portion of the wages paid to the German workman working outside Germany, which he must of necessity spend in the place of his occupation.

II.

WHAT FORM IS TO BE GIVEN TO A COMMERCIAL CONTRACT FOR IT TO BE ACCEPTED AS A REPARATIONS CONTRACT ?

1) By contract, within the meaning of the Regulations, is understood (Article VI, Note A) -

a) a document signed by the two parties;

b) a firm offer with or without specification, accepted without reserve by the buyer by letter or by telegram;

c) a firm demand accepted without reserve by the seller by letter or by telegram.

The offer or the demand on the one hand, the acceptance on the other hand, may be made up of one or several documents, provided that the contract is peffect, that is to say that a final agreement has been concluded between the two parties on all the conditions under which the goods are to be supplied.

2) The consent of the seller to be paid out of reparation funds must be clearly indicated in the contract or in the correspondence exchanged between the seller and the buyer.

3) If the contract is passed by an authorised person in the name of a buyer, the said authorised person is responsible for the carrying out of the clauses which, in conformity with the Regulations, must be inserted in the contract for it to become a reparations contract, unless a declaration signed by the buyer and endorsing this responsibility is attached to the contract.

4) The clause referring to payment on reparation account can be drafted in two different ways, according to whether the buyer intends to pass a firm order to be executed commercially, even though it be not allowed to ccunt as a delivery in kind, or to whether, on the other hand, the order is passed subject to its being allowed to count as a delivery in kind.

In the first case, it is sufficient to state that the payments may be effected through the intermediary of the Agent General for Reparation Payments, after the contracts have been approved by the Reparation Commission.

In the second case, it should be specified that the contract cannot be executed if it is not accepted as a reparation contract by the Reparation Commission.

5) The contracts must be for an amount at least equal to 1,000 Reichsmarks, unless they are riders to contracts previously approved. (Article I, § 3).

6) The contract must contain the non-re-exportation clause provided in the Regulations. (Article X, solution B).

7) The conditions for specifications, supply, supervision of manufacture, delivery and acceptance of the goods, are purely commercial.

In the same manner, the contracting parties are free to chose the legal measures to be adopted in case of disputes. The buyer is nevertheless advised to approach the seller with a view to obtaining the arbitration clause in case of disputes concerned with the execution of the contract.

8) The prices may be denominated in any currency (Reichsmarks, Gold Marks, French Francs, Dollars, etc ...). In other words, the currency invoiced is left to choice as with a commercial contract. The currency of payment on the other hand is of necessity the Reichsmark, and the seller is paid by the Agent General for Reparation Payments in this currency, in conformity with the terms of German commercial legislation, that is to say, where conversion is necessary, at the official rate on the Berlin Bourse at the time payment is effected.

9) The time allowed for payment is also left to the free decision of the buyer and the seller. The buyer will nevertheless be wise, should it be a question of large sums of money (exceeding for example five thousand francs), to consult the organisations mentioned in the foreword hereto before drafting finally the payment dates of his contract. The said organisations will inform him in particular whether he ought to effect the payments cash down (sight drafts) or deferred (forward drafts), and in the latter case of the validity of the drafts under consideration.

10) If the contract refers to goods coming under List C, or requires transport outside Germany to a value over 400 gold marks (unless transport is effected by water under the German flag) or erection outside Germany to a value over 1,000 gold marks, the buyer must take the necessary precautions to see that the contract: 1) clearly states that the direct payments stipulated do indeed correspond to what they should be under the terms of the Regulations, 2) specifies on the one hand the dates on which payments are to be effected directly, and on the other hand the dates for payment on reparations account.

If the buyer finds any difficulty in interpreting the Regulations or in coming to an agreement with the seller, he should communicate with the organisations mentioned in the foreword hereto, who will assist him to find possible solutions, by getting into touch with the German office, the latter in its turn being in touch with the seller, who - it must not be overlooked, - is not directly interested in the question.

If the contract makes provision for transport outside Germany or for erection outside Germany, to be paid on reparations account, that is to say of a value below the limits indicated, the contract must clearly state that this is the case.

Finally, the buyer may find it simpler to stipulate that the goods may be delivered at the German frontier station or at a German port, in order to avoid the direct payments clause in respect of transport. He may even avoid this clause in the case of less important erections by undertaking for example to supply the erectors with food and lodging.

COMMENTARY. Although the Regulations are full of the direct payments clause, it does not affect the majority of buyers. It does not apply to building materials (wood, iron, cement, etc) nor to machinery of any kind and of any category. Even in those cases where it does apply, it only requires from the buyer a knowledge of a really very simply procedure, with which he will find himself quite familiar after the first time, more especially if he applies to the competent organisations for advice before making his first attempt.

11) When the supplier grants an option to the buyer, liberal time limits must be provided so that there may be no necessity to renew them before approval. (See III).

12) In the same manner, it will be possible to avoid having recourse to a rider by not providing for the payment of the first instalment at too early a date. The best way is to fix the first date of payment "at ten days from the approval of the contract".

13) To facilitate the examination of the contracts, it is recommended that the specifications be grouped in one or several annexes. The essential part of the text is thus given more briefly and clearly.

14) In the case of sales of wood or timber, the contracts must mention that the wood or timber to be delivered has been (or will be) sawn and worked up on German territory; the place where the wood or timber has been sawn and worked up must also be indicated. (See List D - Note).

15) For contracts of long duration, the French Government generally requires the insertion in the contract of a clause providing for its cancellation, should the Transfer Committee take steps tending to restrict transfers.

COMMENTARY. The interruption of the reduction of transfers, which it is always within the power of the Transfer Committee to prescribe, must not result in the conferring of a privilege on Germany for the execution of work or supplies which alone the necessities of transfer can lead to be conferred on her, or in the French Government being obliged to continue at its own expense undertakings beyond its actual financial strength.

III.

WHEN THE COMMERCIAL CONTRACT IS ACCEPTED, WHAT ARE THE FORMALITIES TO BE OBSERVED TO MAKE IT A REPARATIONS CONTRACT AND WHAT ARE THE TIME LIMITS NECESSARY ?

1) If a commercial contract is to be transformed into a Reparation contract, it must first be taken up by the French Government. The Inter-Ministerial Committee for Reparations is the organ to be approached with a view to having a contract thus taken up.

The primary condition of the taking up of a contract is the conclusion of an agreement between the buyer and the organ representing the Government, fixing the equivalent value in francs of the marks which the Agent General for Reparation Payments will have to pay to the seller in respect of the contract, and the conditions under and time limits within which the seller will have to repay this equivalent value to the Treasury.

If the buyer is a war victim and holder of credits in respect of war damage, he may, upon the attestation of the Under-Secretariat for the Liberated Areas (which department is under

the obligation to serve as intermediary between the buyer and the Inter-Ministerial Committee for Reparations), be authorised to pay off his debt to the Treasury by deductions from the sums standing to his credit in respect of war damage, instead of by cash payments. He is herewith reminded that, for the year 1925, deductions of this nature are allowed to a total amount of 200 million francs. The Under-Secretariat for the Liberated Areas will issue special instructions fixing the conditions under which deliveries in kind may be paid for by means of deductions from credits for war damage.

The various preliminary steps and the taking up of the contract on the part of the French Government, subject to its approval by the Reparation Commission, will proceed very rapidly once the buyer has supplied the Secretariat of the Inter-Ministerial Committee for Reparations with an original copy of the contract, accompanied by four copies certified correct by himself, (should the buyer be a war victim, he must furnish the said contract and copies of the contract to the Under-Secretariat of the Liberated Areas) in conformity with the provisions contained in the special instructions referred to above. Exact time limits cannot be given, as the buyer has to conclude an agreement with the French State, in the discussion of which he must retain his freedom of action, as the State for its part must retain its freedom. The Administration has, however, taken every precaution to avoid delays, and many contracts have already passed through its hands without difficulty.

In general, and without it constituting in any way an engagement on the part of the State, the Government will request the buyer to pay it the equivalent value of the marks calculated at the rate of exchange of the date on which the contract was signed.

The buyer will thus be protected from exchange risks as would be the case if he were transacting business through the ordinary commercial channels, and will buy the marks when his contract is passed. It is not impossible for the buyer in certain cases to obtain quite advantageous terms for repayment of his debt to the State. As regards this point, however, each case will be examined on its merits, and the general factors of the case will be taken into consideration.

In any case, war victims may claim the application of the minimum Customs rates to deliveries in kind entering France for purposes of reconstruction.

2) Directly the French Government takes up a commercial contract as a reparation contract, it takes the necessary steps to have it submitted to the Reparation Commission for approval. The time limits for replies are very short. It can be seen in Article VI that the normal time limit is three full working days. When the contract is approved, the Secretariat of the Inter-Ministerial Committee for Reparations (or, in the case of a war victim, the Under-Secretariat of the Liberated Areas) notifies the fact to the buyer. From this moment become definitive and applicable -

the contract, if its conclusion is subject to its being considered a reparation contract;

the obligation of the Agent General for Reparation Payments[x] to effect payments to the seller;

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[x] In certain cases the French Government may find itself substituted for the Agent General for Reparation Payments in respect of this obligation. this does not affect the position of the buyer in any way. In view of this possibility, however, the French Government will make its adherence to certain contracts of particularly long duration dependent on the insertion in the contract of a rapid cancellation clause for the event of the Agent General suspending payments (See II, 5).

the engagement entered into between the buyer and the Treasury, by which the former was to pay the latter the equivalent value of the marks paid to the supplier by the Agent General for Reparation Payments.

IV.

WHAT DISTINGUISHES A COMMERCIAL REPARATIONS CONTRACT FROM AN ORDINARY CONTRACT AS REGARDS EXECUTION ?

The fundamental difference is in the execution of payments.

When the buyer has a payment to make, he requests the Secretariat of the Inter-Ministerial Committee (or, in the case of a war victim, the Under-Secretariat of the Liberated Areas) to forward him a draft payable out of reparation funds. The draft is one of the two models provided in the Regulations, under Annex II A or B, according to whether the contract stipulated a sight draft or a forward draft. Upon receipt of this draft, the buyer endorses it to the name of the seller, and sends it to him. The draft is paid by the Agent General for Reparation Payments five days after presentation in the case of a sight draft, or by the Reichs-Kreditgesellschaft upon the due date, in the case of a forward draft.

In all other respects, the contract is carried out as an ordinary commercial contract. There is only one restrictive provision, which stipulates that the buyer may not in principle receive money from the seller, but only goods. If, in order to wind up a contract, transfers of money become necessary, they must not be accepted by the buyer, but must be paid by the seller to the Agent General for Reparation Payments, unless they are inferior to 20 per cent of the amount of the contract, with a maximum of 10,000 gold marks. (Article IX, Section I, 7).

These limits are sufficiently large for this particular point not to apply to many cases at all. If the question does arise, another question clearly arises immediately between the buyer and the French Treasury, which will be solved in the manner best suited to each particular case.

The buyer must evidently exercise the greatest care to respect the engagement he has taken in his contract not to re-export the goods. On this point, he has entered into a direct undertaking, for the observance of which he is responsible. He is not directly responsible, on the other hand, for the German origin of the goods forming the subject of the contract. But it goes without saying that he will be acting in the general interest by bringing to the knowledge of the competent department any information which might lead to doubts on the point. In regard to the honest execution of the transactions, the Regulations are based on a principle of counter-control, which French buyers should endeavour to uphold in so far as it is in their power to do so. "

From the French
Translated - CFH
Checked - NL
QW.

I.I.9. 4112. a.- Doc. 114.

Berlin, July 31,1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

DISCOUNT AND CURRENCY POLICY OF THE REICHSBANK.

The morning newspapers of July 29, 1925, publish the following account of an address made yesterday by Dr. Schacht to the Central Committee of the Reichsbank:-

"Since the last session of the Committee on March 23, 1925, the still depressed situation of German industry has been reflected plainly in the money and capital market. The great demand for long and short-term capital has not diminished. It proves now that the reduction of the Reichsbank discount rate from 10 per cent to 9 per cent, which was made in February last, occurred at the proper moment for an interest concession to German industry; in fact , the curve of interest rates from the beginning of the year to the end of April shows a declining tendency but from that time it begins once more to rise slightly.

"In the past quarter, the Reichsbank has regarded it as its task to aid German industry so far as is reconcilable with the protection of the currency. We continue to hold the theory that the maintenance of the German currency, which has been completely successful, must take precedence over all other demands. In this connection, if we do not want to create a situation of complete disorder on the interest market, we cannot renounce also for the future the process of rationing credit. We note with satisfaction that the original objections to this policy have been almost entirely silenced and that all important industrialist circles have expressed their approval of this policy. On the other hand, in view of the fact that ideas have recently been

expressed, based exactly on the fact of the rationing, which desire a further reduction of the Reichsbank discount rate, we should like today to take occasion to explain to the Central Committee in a special report the reasons why such a reduction cannot be considered at the present time if the Reichsbank is to maintain the influence on the fixing of interest rates on the open market, which it has had so much difficulty in obtaining.

"It is no secret that in the past few months the demand for foreign exchange has been very strong on the German market. The reason for this outflow is partially to be found in our trade balance. Without attempting to discuss the reasons exhaustively, I should like only to point out that a considerable portion of industry does not devote to export that attention which is to be desired in the interest of our balance of payments. On the other hand, the purchasing power of the domestic market is artificially increased by an administration of public monies which is often mistaken and thus gives the appearance of a stimulation of business activity which, in view of the tax charges upon industry, must necessarily reach a speedy end. The permament strengthening of domestic purchasing power which is so necessary can be obtained only through the cheapening of production and especially through an increasing of agricultural production.

"A further cause of the demand for foreign exchange was the refusals to renew short-term foreign credits, owing to several reasons, partly political and partly economic in nature. The Reichsbank has pointed out repeatedly to German industry the objections to such short-term foreign credits. The careful policy of the Reichsbank is to be thanked that difficulties have not arisen in repayment. Industry will, however, have to

keep in view the possibility that even in the future, under certain circumstances, the Reichsbank will not give up foreign exchange against credits but only against payment in marks.

"Finally, it must not be forgotten that the reparation obligations also resulted in a serious burdening of German industry in foreign exchange. The payments for the interest service on the Dawes Loan, for the Recovery Act and for those costs of administration and occupation which are transformed by their receivers into foreign exchange, have thus far certainly exceeded the amount of 250 million Reichsmarks in foreign exchange. Furthermore, the deliveries in kind naturally also burden our balance of payments directly through the imports of raw materials necessary for these deliveries in kind, whereas, on the other hand, our trade balance as a whole is made considerably more unfavourable by the gratis deliveries in kind.

"Nevertheless, the Reichsbank has been in a position to increase its holdings of gold now to over 1100 million Reichsmarks. We intend to continue still further to increase our gold supply. We regard the partial foreign exchange cover permitted by the Bank Law merely as an emergency measure and believe that regardless of the small loss of interest, cover in coined and uncoined gold is far preferable for a bank of issue. Although, therefore, we have hitherto shewn regularly one-fourth of our total cover in foreign exchange and only three- fourths in gold, we shall in future endeavour, by transforming foreign exchange cover into gold, to modify the ratio in favour of gold.

"It is fortunate that the Reichsbank has been in a position to meet all the demands for foreign exchange made on it, without having to undertake a reduction of the credits hitherto granted by it. Neither, as things are at the moment, is there reason for anxieties as to the future. On the other hand, no increase in the amount of credits granted by the Reichsbank can be counted upon at this time.

"Wherever concessions to industry on the part of the Reichsbank seem possible, we are endeavouring to make them. Thus, recently, in order to promote payment transactions without cash and to simplify our business with clients' bills, we have undertaken a considerable reduction of the fees for such bill business. We hope that the Banks and other organisations concerned will do everything on their part which may lead to simplifying our payment transactions and to reducing expenses and costs."

.....

The Vice-President of the Reichsbank Directorate, Kauffmann, then explained in detail the reasons against a lowering of the discount rate of the Reichsbank. The Central Committee, almost all of the members of which were present, approved unanimously the standpoint of the Reichsbank Directorate and considered a further reduction of the discount rate impossible in view of the present situation on the money market.

DR.

I.I.9. 50221

a. - Doc. 115

BERLIN, July 31, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE STATISTICS OF UNEMPLOYMENT IN GERMANY.

I. The number of unemployed persons in receipt of public relief, as published every fortnight, does not represent the total number of unemployed; the number of unemployed in receipt of public relief may indicate the general tendency in regard to unemployment but cannot assist us in ascertaining the total number of unemployed in the country at any given time.

This difference between the number of unemployed receiving assistance and the total number of unemployed in the country is due to the provisions of the Decree of February 16, 1924, which at present governs relief to unemployed.

According to this Decree, compensation for unemployment is restricted to -

1) those who, within a year before the unemployment, were carrying on an occupation carrying with it compulsory insurance against unemployment (§ 4);

2) those who have been out of employment for at least a week (§ 9);

3) the third restriction is that unemployment relief may only be accorded for 26 weeks in a year, at the most (§ 18).

Inasmuch as unemployment relief is bound up with insurance against sickness, it applies to those categories of workers who are bound to be so insured, that is (Article 165 of the

Law of December 22, 1924) to

1) labourers, assistants, apprentices and domestic servants;
2) employees of business concerns, foremen and employees generally;
3) employees in commercial enterprises and chemists shops;
4) actors and professional musicians;
5) schoolmasters and private tutors;
5a) employees in the liberal professions;
6) persons who exercise an industrial occupation at home, for which they receive a fixed wage;
7) members of the Merchant Marine.

The Law thus includes all workmen and employees but excludes from compulsory insurance all those who receive an annual salary of more than R.M. 2,400, and from optional insurance those who have a total income of more than R.M. 1,800.

On the other hand, doctors, dentists, employees of the Reich, the States and the Communes, and employees of the Reichsbahn Company are excluded from insurance.

II. From the above rules, it will be seen that in practice -

1) unemployed persons of the categories referred to in the regulations about insurance are not included among unemployed in receipt of relief.

a) if they have not fulfilled the preliminary conditions (insurance for three months against sickness);

b) if they are not yet in receipt of relief (unemployment for less than a week);

c) if they are no longer in receipt of relief (unemployed who within the last twelve months have received relief during 26 weeks).

2) Further, although the Law in principle admits the right of employees as well as workmen to relief (with the exception of officials of Public Departments), the restriction of relief to those employees who receive an annual salary of more than R.M. 2,400 has in practice the effect of excluding most of the employees.

III. Unemployed persons not in receipt of relief.

Another category of unemployed persons, who do not receive relief and who are not mentioned in the statistics, are workmen who have been released with compensation sufficient to ensure them enough to live upon; but in general it may be taken that in nearly every case they are employees and not workmen - that is, persons employed in public and private concerns, engaged in the distribution and circulation of wealth rather than in the production of wealth.

1) In regard to officials of the Reich, and of the Postal Service and the Railways, the rules governing release of Officials (Abbau) were determined by the Decree of October 27, 1923 (Reichsgesetzblatt 1923, page 999 and following). This decision has also been adopted for the most part by the States and the Communes.

According to this Decree, all released officials have a right, according to their age and position in a public department, to

a) retired pay (Ruhegehalt), if they are over 50;

b) retaining pay (Wartegeld), if they are less than 50.

Wartegeld is permanent and varies between 40 per cent and 80 per cent of the salary according to the age of the official.

c) a lump-sum allowance (Abfindungssumme) for all temporary officials and for employees (Angestellten).

In regard to the workmen, who are mainly concerned in the case of the Postal Service and the Railways, only the indemnity usually paid in the occupation is given when they are released.

2) In the case of private concerns (industrial or commercial enterprises, banks, etc), no rule has been made in the way of legislation; but employees have usually been granted a lump-sum compensation, calculated according to the salary or length of service and representing the equivalent of several months salary, whereas workmen when discharged are only granted the indemnity usually given in their occupation.

The result of this has been in practice that the workmen, and the workmen alone, have quickly had recourse to the unemployment indemnity and are therefore the only ones to appear in the statistics, whereas foremen and the various categories of employees (technical or office employees) are not usually included among the unemployed receiving assistance.

Nevertheless, it is very difficult to make an absolute distinction between the two categories. Especially in the

public administrations, those who in private business would be called workmen are in many cases classed as officials; a lock-keeper, a gate-keeper and an engine-driver are officials (Beamten) who, when they are dismissed, enter the labour market as workmen, without appearing in the statistics, because they receive regular compensation from their administration. Again, office clerks (Employees) may have to seek employment as workmen.

Apart from these exceptional cases, there are numbers of employees who are out of work without receiving any relief from the State. The Railways, since the Decree of October 27, 1923, have released 96 000 officials; and the great banks since the stabilisation have reduced their staff (mainly composed of employees) by 77 000 (from 140 000 to 63 000 between the end of 1923 and the end of 1924). Thus in these two industries alone nearly 175 000 employees have been dismissed. Finally it is known that the great industrial enterprises and groups have carried out and are still carrying out work of re-organisation and concentration involving the dismissal of many of the administrative staff of all categories.

It is therefore probable that the number of employees thus dismissed who have found work, without the fact appearing in the statistics, is not large.

The Government of the Reich has itself admitted the defective nature of the statistics in this respect, and proceeded on July 16 last to take a census of all unemployed (Angestellten) by calling upon those concerned to fill in forms to be obtained from the official Labour Bureaux.

The conclusion drawn from these indications is that -

a) as far as the workmen are concerned, the statistics shew exactly the fluctuations on the labour market, although they do not give the total number of unemployed on any particular date;

b) as far as the employees are concerned, the statistics include a certain number, but give no general indication of the fluctuations of the labour market in their case.

IV. Other data to hand.

There are also other data on labour and unemployment :

1) The number of persons insured against sickness (not including unemployed and sick persons).

The figures which are published every month give practically the total number of employed workers (with the exception of agricultural labourers). For instance, it was calculated that -

on May 1, 1925, there were 13 902 307 insured persons of both sexes

and on June 1, 1925, " " 14 195 128 " " "

The data in regard to the proportion of unemployment in the different occupations are very fragmentary, the insured persons being insured either with -

local insurance offices,

insurance offices of the concerns themselves,

country district insurance offices, or

corporation insurance offices.

Only the second category, insurance offices of the concerns, is almost entirely composed of workmen of a specified occupation; but these offices, which only . . . . . .

included 2 653 000 members on June 1 as against 9 217 000 subscribers to local offices, are far from representing the whole of the industry to which they belong.

2) Number and percentage of unemployed belonging to workmen's trade unions.

These data are also incomplete, being derived from statistics supplied by trade unions, only some of which send in regular statements of figures to the Labour Minister. In May 1925, 38 trade unions (Verbände) with a membership of 3 645 000 indicated the number of their unemployed (129 404), the total number of unemployed receiving assistance on May 15th being 274 762. But the trade unions contain 9 million members (average figure for 1923 for the two principal groups of trade unions, Socialist and Christain - 8 millions).

Although incomplete, these figures give a better idea than do those for the unemployed in receipt of relief, of the curve of activity in the different branches of industry, the results in the former case being indicated by categories of occupations. At the beginning of June, the highest percentage of unemployed was to be found among the workmen in tobacco factories and the transport workers (8.7 per cent and 6.1 per cent) and lowest among printers and gardeners (0.6 per cent and 2.2 per cent).

3) Number of offers of and applications for employment in labour bureaux.

The last series of figures, by indicating the ratio between supply and demand, also gives an idea of the labour requirements of the industries. In May 1925, there were on an average 197 applications for

100 positions. While in the building industry the supply is equal to the demand, in the mines there are 245 applications and in the weaving industry 333 applications for 100 positions.

These figures confirm in particular the existence of far more unemployment among employees than among workmen; in the case of commercial clerks, the number of applications for employment made to the Labour Bureau was 674, in the case of technical workers 750, and in the case of the liberal professions 564 for 100 positions.

V. Conclusions.

These are the sources of information to which we have to have recourse; no one of these is as accurate and complete as we should wish, and our conclusions are thus more in the nature of impressions than statements of fact. The statistics for unemployed receiving assistance which give as sufficiently clear idea of the general position, as far as the workers are concerned, tell us nothing about the curve of activity in the different branches of production. The statistics furnished by the trade unions are too fragmentary, as they only refer to 30 per cent of the members. The figures for the demand and supply of labour would no doubt give more servicable information on the requirements of the industries. The figures for the demand for labour and those for the supply of labour taken together, however, enable us to draw conclusions in regard to seasonal fluctuations which cannot be drawn from the general atatistics; but these variations can only be studied with profit by taking the figures over several years; the

post-war years (inflation and stabilisation crisis in 1924) produced such an exceptional situation that seasonal influences have ceased to play a part. A comparison with the pre-war years, on the other hand, gives but imperfect results owing to the altered distribution of workers throughout the different occupations.

It is seen therefore what difficulties have to be encountered in any study of the question of unemployment. Under present conditions, the statistics to hand for unemployed in receipt of relief and the proportion of unemployed in the different industries enable us, inasmuch as the figures for the unemployed belonging to trade unions are available, to draw fairly accurate conclusions in regard to production, though not exactly to estimate the curve of activity. As regards the employees, all attempts to follow the variations in the employment of this category must be abandoned: it is not possible to go beyond the figures of the enquiry of July 16th.

A further point is that the statistical data are ofter only available two months later.

VI. Statistics of salaried employees in industry.

The most recent complete and detailed statistics of the distribution of the population by professions go back to 1907. Since the war a tentative census of the workmen of the country by occupations has been made (end of 1921) on the basis of the 1919 census (see Die Arbeiterverteilung in der deutschen Industrie, and Zahlenwerk über die Arbeiterverteilung, etc. 1924). This census covers 7.48 million workers, or about 75 per cent of the total number of workmen. Since then no statistics

have been published of the number of workmen employed in the various industries. There are indeed no indications at all, except in the case of the miners. The only figures published regularly are those for the number of persons insured against illness, but these figures (June 1st, 14 195 128, of which 9 296 811 were men), as we have seen above (page 2) -

1) include, besides workmen, domestic servants and some employees,
2) do not give the proportion in the different trades.

(signed) L. GAILLET-BILLOTTEAU

From the French.
Translated - NL.
Checked - RB
Ro.

I.I.9.34. Doc. 116.

Berlin, August 3, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

L A W

OF JULY 16, 1925,

ON THE LIQUIDATION OF PUBLIC LOANS.

(Reichsgesetzblatt I No. 32, page 137 of July 17, 1925)

The Reichstag has voted the following Law, which is hereby promulgated with the assent of the Reichsrat:

P A R T I.

LIQUIDATION OF MARK LOANS OF THE REICH.

SECTION I.

LOAN LIQUIDATION DEBT OF THE GERMAN REICH.

§ 1.

(1) Save in so far as otherwise provided in the Present Law, Mark Loans of the Reich will be commuted for "Loan Liquidation Debt (Anleiheablösungsschuld)" of the German Reich.

(2) Claims in respect of Mark Loans of the Reich are only admissible in so far as prescribed by the present Law.

§ 2.

Mark Loans of the Reich within the meaning of this Law are:

1- scrip, stock and Treasury Bonds of the German Reich denominated in Marks;

2- debts of the States taken over by the Reich upon the transfer of the railways of the States (Law of July 29, 1922- Reichsgesetzblatt II page 693);

3- debts which are declared by the Finance Minister of the Reich with the assent of the Reichsrat to be Mark Loans of the Reich.

§ 3.

The following categories of debt are excluded from the provisions of commutation:

1- the scrip of the Forced Loan (Zwangsanleihe) (Law of July 20, 1922 - Reichsgesetzblatt I, page 601);

2- the non-interesting-bearing Treasury Bonds of the German Reich, with the exception of such as are issued in compensation for war damages;

3- the Reichskassenscheine (Laws of April 30, 1874 - Reichsgesetzblatt page 40; of July 3, 1913 - Reichsgesetzblatt page 521; and of March 22, 1915 - Reichsgesetzblatt page 179);

4- the Darlehnkassenscheine (Law of August 4, 1914 - Reichsgesetzblatt page 340, and Decree of the Commander-in-Chief of the

Eastern Command of January 16, 1918 - Befehls -und Verordnungsblatt des Oberbefehlshabers Ost, page 721).

No claims may be made in respect of the categories of debt specified above.

§ 4.

(1) The Loan Liquidation Debt is in Reichsmarks. The holders of the same cannot demand repayment of the capital thereof.

(2) Interest on Loan Liquidation Debt cannot be demanded until such time as Germany's Reparation liabilities have been met. The date at which the Reparation liabilities are to be considered as met will be determined by legislative enactment.

(3) The provisions of the Reichsschuldenordnung (Fundamental Law concerning Public Debt of the Reich) with regard to scrip are applicable to the Loan Liquidation Debt. The scrip of the Loan Liquidation Debt may be transformed into registered stock of the Reich.

§ 5.

(1) Loan Liquidation Debt to the extent of 25 Reichsmarks nominal will be allowed for every -

1 500 marks nominal of the Savings Premium Loan (Sparprämienanleihe);

16 700 000 marks nominal of the 8 to 15 per cent "K" Treasury Bonds 1923;

50 milliard marks nominal of the 8 to 15 per cent "K" Treasury Bonds 1924;

1 000 gold marks of the non-interest-bearing bonds issued in compensation for war damages ;

1 000 marks nominal of all other Mark Loans of the Reich.

(2) Commutation claims for Loan Liquidation Debt are only allowed for nominal amounts of 12.50 Reichsmarks or a multiple thereof.

(3) The gold mark amount of the non-interest-bearing Treasury Bonds issued in compensation for war damages will be ascertained by converting their nominal value into gold marks according to the ratio of conversion fixed for the day of issue in the Annex to the Revalorisation Law (Aufwertungsgesetz) of July 16, 1925 (Reichsgesetzblatt I page 117).

(4) Where Mark Loans are denominated in a former State currency, their nominal value is the mark value corresponding to their nominal value in accordance with § 15 of the Coinage Law (Münzgesetz) of June 1, 1909 (Reichsgesetzblatt page 507).

(5) In the case of amounts of registered Mark Loan stock which are not divisible by 500, the issue of bonds of the same loan may be claimed. Certificates may be issued in lieu of bonds.

§ 6.

Claims for the commutation of Mark Loans can only be made by notification within a fixed period of time. The notification must be accompanied by the scrip of the Loans which it is desired to exchange. The Finance Minister of the Reich determines the period for, and place of, notification.

§ 7.

Where the right of the holders of scrip or stock of Mark Loans to dispose thereof is limited by mortgage or other rights of third parties, the scrip or stock of the Loan Liquidation Debt, which is issued or registered in exchange for such Mark Loan scrip or stock, succeeds to the obligations of the latter.

SECTION 2.

RIGHTS OF OLD HOLDERS.

First heading: General.

§ 8.

Holders of loans with possession before July 1, 1920 (old holders - Anleihealtbesitzer), who have commuted the same for Loan Liquidation Debt (§§ 9 to 12), are entitled under the specific provisions of the present Law -

1- to participate in the drawing of the Loan Liquidation Debt (Auslosungsrecht) (§§ 12 to 17);

2- to receive a Preferential Annuity (Vorzugsrente) (§§ 18 to 26).

§ 9.

Loans with old possession (Altbesitzanleihen) are Mark Loans of the Reich of which the holders can prove possession previous to July 1, 1920, and uninterruptedly up to the date of notification.

§ 10.

(1) Mark Loans are held to have been acquired before July 1, 1920,-

1- where they have been acquired by the holder by conveyance by a Bank, or banker, or Savings Bank, or Insurance Company, subsequently to June 30, 1920 , but in execution of a claim for such conveyance originating previously to July 1, 1920;

2- where they have been made over to the holder by a Bank subsequently to June 30, 1920, in execution of a loan or similar transaction involving custody of his property, if the holders has previously handed over to the Bank in connection with the same transaction the Mark Loan scrip acquired by him before July 1, 1920, and his claim for conveyance of like scrip to a like amount has been uninterrupted from the time of such handing over to the time of delivery. For such purpose, a banker or a Savings Bank is on the same footing as a Bank;

3- where they have been registered as stock subsequently to June 30, 1920, but application has been made by the holder for their registration before July 1, 1920;

4- where they have come into the possession of the holder after June 30, 1920, as the result of an exchange of scrip for stock, or stock for scrip, if the exchanged scrip or stock was in his possession uninterruptedly from July 1, 1920, to the time of exchange;

5- where they have been acquired by the holder upon the death of the previous possessor, or in connection with community of goods (joint ownership of property, e.g. by husband and wife), or by the liquidation of an inheritance or community of goods, or as dowry in

consideration of a legal right of inheritance in the future, or as head of a business from a trustee, or a result of transference of a fortune as a whole, subsequently to June 30, 1920, where the legator or other previous owner acquired them before July 1, 1920, and was in uninterrupted possession of the same until they passed to the holder;

6- where the holder has acquired them subsequently to June 30, 1920, from a public authority or from the Reichsanleihe-Gesellschaft in exchange for Mark Loans acquired before July 1, 1920;

7- where they have been transferred to the holder after July 1, 1920, as reimbursement of taxes which he had paid by means of Mark Loans.

(2) The Finance Minister of the Reich is empowered to place other forms of acquisition of Mark Loans subsequent to June 30, 1920, on the same footing as acquisitions before July 1, 1920.

§ 11.

(1) Mark Loans which are not loans with old possession in the sense of §§ 9 to 11, but have come into the possession of the holder before July 1, 1923, in virtue of a legal obligation to invest funds in trustee investments, and have remained in his possession from the moment of such acquisition until the moment of notification, rank as loans with old possession to the double gold mark amount of the price at which they were acquired; the said amount must however be divisible by 500. The provisions of § 10 apply mutatis mutandis. The gold mark amount will be ascertained by converting the price at which the Mark Loans were acquired according to the ratio of conversion fixed for the

day of purchase in the Annex to the Revalorisation Law of July 16, 1925; if no ratio of conversion is provided for the said day, the last previous ratio of conversion is to be taken.

(2) The obligation to invest funds in trustee investments, which arises out of the provisions of the statutes or other similar constitution of an institution, endowment, corporation, or other association of persons or estate in Germany, in so far as such institution, endowment, corporation or other association of persons or estate serves exclusively the public benefit, or philanthropic, or ethical, or religious purposes, ranks as equivalent to a legal obligation to the same effect.

Second heading: Right of participation in drawings.

§ 12.

(1) Old holders are entitled, upon their request to participate in drawings (Auslosungsrecht § 8) to the extent of a fixed nominal amount. The nominal amount is the amount of Loan Liquidation Debt which the old holder receives in exchange for his old holdings, in so far as this amount is divisible by 500. In the case of the Savings Premium Loan (Sparprämienanleihe) it must be divisible by 750. If a physical person receives for his old holdings more than 12 500 Reichsmarks nominal of the Loan Liquidation Debt, he shall receive participation rights (Auslosungsrecht) as follows: for the first additional 25 000 Reichsmarks over and above 12 500 Reichsmarks, participation rights to the nominal value of only 1 000 Reichsmarks for each 2 000 Reichsmarks; for the next 25 000 Reichsmarks, 1000 Reichsmarks for

each 3 000 Reichsmarks; and for further amounts, 1 000 Reichsmarks for each 4 000 Reichsmarks. If it can be proved that the said person, for the purpose of subscribing to scrip, Treasury Bonds or stock of the War Loans of the Reich, has entered into engagements which are subject to revalorisation, the additional amount shall be taken to be at the outside the amount by which the total amount of the Loan Liquidation Debt exceeds the revalorisable amount of the engagement.

(2) In the cases specified in § 11, the nominal amount of the participation rights is 2 1/2 per cent of the amount by which the Mark Loans rank as Loans with old possession. Sentences 3 and 4 of paragraph 1 apply mutatis mutandis.

(3) Application to exercise participation rights can only be made within a period to be determined by the Finance Minister of the Reich.

§ 13.

(1) The Loan Liquidation Debt will be amortised to the total amount of the participation rights (Auslösungsrechte). The period of amortisation will cover 30 years, and will begin to run in 1926.

(2) Amortisation is effected by means of the drawing of participation right claims, which are thereupon redeemed. When a drawn claim is redeemed, Loan Liquidation Debt is to be handed over for the nominal amount of such claim.

§ 14.

(1) A drawn claim is redeemed by the cash payment of five times its nominal amount. The amount to be redeemed is charged interest at the

rate of 4 1/2 per cent per annum from January 1, 1926, to the end of the year in which the claim is drawn; interest is paid on redemption.

(2) Redemption may be claimed at the end of the year in which the claim was drawn.

§ 15.

A fixed sum must be set aside each year in the Budget of the Reich to the amount required to meet the redemption of the claims. The amounts are to be paid into a Redemption Fund. That part of the Redemption Fund, which under the plan of redemption is only to be drawn upon in later financial years, is to be invested at interest. The amounts to be transferred to the Redemption Fund must be so estimated as to attain - with interest at 6 per cent - the total amount required for redemption.

§ 16.

(1) Participation rights (Auslosungsrechte) are negotiable instruments.

(2) Mortgage or other rights of third parties, which in accordance with § 7 limit the right of disposal of scrip or stock of the Loan Liquidation Debt, are applicable also to the participation rights accorded in virtue of such scrip or stock.

§ 17.

(1) Drawing certificates (Auslosungsscheine) in the name of the bearer will be issued in respect of the participation rights (Auslosungsrechte). The legal provisions relating to bearer scrip and the provisions of the Reichsschuldenordnung (Fundamental Law concerning

Public Debt of the Reich) relating to scrip are applicable to the drawing certificates.

(2) By relinquishing his right to a drawing certificate or by handing over such a (negotiable) drawing certificate, the holder may claim registration of his participation right in the Stock Book of the Reich (Rechsschuldbuch), if he holds registered Loan Liquidation Debt to the nominal amount of his participation right. Separate disposition of a registered participation right and of the corresponding amount of Loan Liquidation Debt is not admissible.

Third heading: Preferential Annuities
Charitable Annuities.

§ 18.

(1) German nationals resident in Germany, who are in necessitous circumstances (§ 19) are entitled upon request to receive a Preferential Annuity (Vorzugsrente), if entitled to a participation right (Auslosungsrecht), as being -

a) "old" Loan holders, or

b) the legal successors of a deceased husband or wife, or relative of the first degree, who were entitled to a participation right as being "old" Loan holders.

If they have inherited the participation right from their father or mother, they are entitled to a Preferential Annuity only for so long as they are not of age, unless by reason of infirmity of mind or body they are permanently incapacitated from supporting themselves.

(2) The Finance Minister of the Reich is empowered in special cases to approve the grant of a Preferential Annuity, even though one or more of the conditions specified in paragraph 1 are not present.

(3) The Preferential Annuity commences to run with the beginning of the calendar month in which it is accorded.

§ 19.

(1) Persons are considered to be in necessitous circumstances whose annual income does not exceed 800 Reichsmarks. The income received in the calendar year preceding application for the grant of a Preferential Annuity is to be taken as a basis.

(2) When calculating the income of a claimant, account shall not be taken of -

1. contributions made by another party, whether made with or without legal obligation. This provision does not however apply where the second party, being a husband, or separated husband or relative in the ascendant line, is under legal obligation to support the claimant, and is in a position to make such contributions without lowering his own standard of living below the level of his walk of life;

2. relief granted to war invalids and to the survivors of perons persons killed in the war;

3. recurrent payments in respect of the public insurance system of the Reich (Reichsversicherung);

4. preferential annuities granted in conformity with the present Law.

(3) Where circumstances justify the assumption that assistance is not needed, the claimant cannot be treated as necessitous.

§ 20.

(1) The Preferential Annuity is 80 per cent of the nominal amount of the participation right in respect of which it is granted: but the highest amount of Preferential Annuity to which any person is entitled is 800 Reichsmarks per annum.

(2) The amount of a Preferential Annuity is increased by 25 per cent to an amount not exceeding 1 000 Reichsmarks, if the claimant renounces his claim to the participation right in respect of which the Preferential Annuity was granted and assigns to the Reich Loan Liquidation Debt to the amount of the nominal value of such participation right. The amount is increased by 50 per cent to an amount not exceeding 1 200 Reichsmarks, where the claimant has completed his sixtieth year at the time of renouncement.

§ 21.

(1) The Preferential Annuity lapses

1. when the claimant loses his German nationality;
2. when the claimant no longer resides in Germany;
3. when it appears on scrutiny of the claimant's circumstances that he is no longer necessitous.

Such scrutiny is to take place five years from the first receipt of the Preferential Annuity, and thereafter every three years. No scrutiny will take place, where the claimant has completed his sixtieth

year at the time the Preferential Annuity is allowed, or completes it while receiving the same.

(2) If the conditions for the grant of a Preferential Annuity (§ 18) are again present, the said Annuity may be renewed without prejudice to the provision contained in § 18 paragraph 1 sentence 2.

(3) The Finance Minister of the Reich is empowered in special cases to continue the grant of the Preferential Annuity even though the conditions for its lapse are present.

§ 22.

The Preferential Annuity is to be paid in advance half-yearly in two equal amounts, if the total sum is over 100 Reichsmarks per annum, or once yearly if the total sum is under 100 Reichsmarks per annum. The Finance Minister of the Reich is empowered to make other arrangements in the case of the payment of the first instalments.

§ 23.

While a Preferential Annuity is being paid, the participation right in respect of which it is accorded is in abeyance. The Drawing Certificate issued is to be deposited during such period with the Reichsschuldenverwaltung (Administration of the Public Debt of the Reich). If the participation right is registered in the Stock Book of the Reich, it is to be blocked by the official authorities during such period.

§ 24.

The holder of a participation right, which entitles him to a Preferential Annuity in the event of his falling into necessitous circumstances (§ 18), may renounce his claim to the participation right in order to secure a Preferential Annuity. Such renouncement is to be made to the Reichsschuldenverwaltung: it may be revoked. It is to be noted on the Drawing Certificate issued or, if the participation right is registered in the Stock Book, in the latter.

§ 25.

(1) A Warrant (Urkunde) in the name of the claimant is to be issued in respect of the Preferential Annuity. On the lapse of the claimant's right to a Preferential Annuity, the Warrant is to be returned.

(2) The Preferential Annuity is not negotiable. It is not heritable. It is not subject to distraint.

§ 26.

Preferential Annuity not exceeding 270 Reichsmarks per annum is not treated as income when determining the grant of any public relief to the claimant. If the claimant, in addition to his Preferential Annuity, receives income from sources which are subject to revalorisation in virtue of the Revalorisation Law (Aufwertungsgesetz) of July 16, 1925, the income from such sources and the Preferential Annuity to a sum not exceeding 270 Reichsmarks per annum are left out of account.

§ 27.

(1) Establishments and Institutions maintained by ecclesiastical charity or lay effort (Article 137 of the Constitution of the Reich)

which devote themselves to works of public charity, as also establishments and institutions for the furtherance of scientific education and research, shall upon their request receive Charitable Annuities (Wohlfahrtsrenten) for the period of 15 years, if they are entitled to participation rights in virtue of the possession of "old" Loan holdings. § 23 is applicable in this case mutatis mutandis. The funds out of which the Charitable Annuities are to be met shall be taken from Customs duties collected on agricultural products, in accordance with further provisions to be determined by legislative enactment. Such funds may not exceed the annual figure of 10 million Reichsmarks. Three quarters of the funds provided for this purpose are to be directed to the establishments and institutions devoted to charitable purposes.

(2) The Government of the Reich will promulgate with the assent of the Reichsrat the detailed provisions to govern Charitable Annuities, with reference more especially to the amount to be granted, and to the categories of recipients.

SECTION 3.

THE SPECIAL LOAN FUND

§ 28.

To augment the service of amortisation of the Loan Liquidation Debt, a Special Loan Fund (Anleihesonderfonds) is to be created.

There are to be paid into this Fund:

1. one half of the dividends which the Reich receives in its capacity of ordinary shareholder of the German Railways

Company, for so long as the Reparation liabilities of the Reich continue. The part of these dividends which the Reich transfers to the Federal States in virtue of special agreements, is to be deducted; and the sums which the Federal States transfer to the Reich, in virtue of special agreements, out of such dividends of the Railways Company as they themselves receive, are to be added;

2. the sum by which the annual payments into the Redemption Fund (§ 15) are inferior to the amounts to be paid into the said fund when the total claims on account of participation rights amount to 500 million Reichsmarks.

§ 29.

The Special Loan Fund is to be employed as follows:

In the first place for the redemption of participation rights (Auslosungsrechte) acquired as "old" holdings by public Savings Banks, or Savings Banks under State control, by departments responsible for the public insurance system of the Reich (Reichsversicherung), by the various Offices authorised by Reich or State legislation to make money grants (Ersatz-, Zuschuss-, Pensions- and Werkkassen), and by the Offices of the professional associations for the granting of pensions and maintenance allowances. This does not apply if the participation rights have been redeemed under § 47 paragraph 3.

In the second place for an extraordinary amortisation of the Loan Liquidation Debt to be effected by the drawing of participation rights as provided in § 13 paragraph 2 and § 14.

P A R T II.

LIQUIDATION OF MARK LOANS OF THE STATES, COMMUNES AND COMMUNAL ASSOCIATIONS.

SECTION 1.

LIQUIDATION OF MARK LOANS OF THE STATES.

§§ 30.

(1) Holders of Loans of the Federal States denominated in marks or in any other currency which is no longer legal tender (Mark Loans) may demand their commutation for "Liquidation Loans" (Ablösungsanleihen). Claims for exchange may only validly be made in so far as the amount to be granted in "Liquidation Loans" works out at 12.50 Reichsmarks or a multiple of that sum.

(2) The Federal States are henceforward liable in respect of Mark Loans only in so far as prescribed by the present Law, save in so far as further legislative provision is made by the States.

(3) Loans in the sense of paragraph 1 are the liabilities arising out of scrip, stock and interest - bearing Treasury Bonds, and all forms of indebtedness which involve the issue of instruments containing a promise to pay.

§§ 31.

(1) The exchange of Mark Loans for Liquidation Loans will be effected at the rate of 2 1/2 per cent nominal of the gold value of the Mark Loans at the time they were issued, whether they were secured by mortgage or similar security or not.

(2) The gold value of the Mark Loans issued up to January 1, 1919, is equivalent to their nominal value or the amount in marks corresponding to their nominal value as provided under §§ 15 of the Coinage Law (Münzgesetz) of June 1, 1909. The gold value of liabilities in respect of debt incurred at a later date is equivalent to the gold value of the amount of money which the debtor received when the liability was incurred. The gold value of such debt will be ascertained by converting the amount received on a basis of the ratio of conversion for the date of receipt in the Annex to the Revalorisation Law (Aufwertungsgesetz) of July 16, 1925 ; if no ratio of conversion is provided for the date in question, the last preceding ratio is to be used.

§ 32.

(1) Creditors, who reserved their rights when accepting repayment of redeemed Mark Loans, may demand that Liquidation Loans be granted to them as though they still held the redeemed Mark Loans.

(2) Creditors of Mark Loans which have been called or drawn, but which are still directly or indirectly in the possession of the creditors, are entitled to commute the Loans, even if a settlement with the debtor or a deposit in favour of the creditor has already taken place.

(3) Mark Loans presented to Banks for redemption and still in their possession shall be commuted in favour of the creditor by whom they were presented, even if a settlement with the creditor or with the debtor or a deposit in favour of the creditor has already taken place. The Bank itself has no right to the commutation. Transfers

of the securities in question from the possession of the Bank which have taken place since June 1, 1925, shall be deemed not to have taken place. The same applies to bankers and other concerns which in the course of their business or trade undertake the custody and administration of securities for clients.

(4) In the cases covered by paragraph 1 to 3, the sums paid are to be deducted from the Liquidation Loan to be granted, to the amount of their gold mark value, in so far as this is divisible by 12 1/2; for the rest, they are to be refunded in cash to this amount. The gold mark value will be ascertained by converting the sum paid on a basis of the ratio of conversion fixed for the date of payment in the annex to the Revalorisation Law of July 16, 1925; if no ratio of conversion is provided for the date in question, the last preceding ratio is to be used.

§ 33.

The Liquidation Loans of the States are denominated in Reichsmarks. The holders of the same cannot demand repayment of the capital thereof.

§ 34.

(1) That part of the Liquidation Loans which is issued in exchange for Mark Loans with old possession (§ 35) is to be redeemed by means of drawings in thirty equal annual instalments, beginning from the calendar year following the coming into force of the present Law. The drawn amounts are to be redeemed in cash at five times their nominal value. The redemption amount will bear interest at the rate of

4 1/2 per cent per annum from January 1, 1926, until the end of the redemption year: the interest is payable when redemption is effected.

(2) The Governments of the Federal States will issue regulations regarding the manner and date of redemption of that part of the Liquidation Loans which is not issued in commutation for Mark Loans with old possession. In so far as redemption is effected by means of drawings, at least the nominal amount shall be repaid.

§ 35.

Mark Loans with old possession are Mark Loans of which the holder can prove possession previous to July 1, 1920, and which were uninterruptedly in his possession from the date of acquisiton until the commutation. The provisions of §§ 10 and 11 and the regulations issued in virtue of § 10 paragraph 2 will apply mutatis mutandis to the Mark Loans of the Federal States.

§ 36.

The commutation of non-interest-bearing Treasury Bonds of the Federal States may not be demanded, nor may claims be based on the ownership of such Bonds.

§ 37.

(1) German nationals resident in Germany, who are in necessitous circumstances, are entitled to receive a Preferential Annuity (Vorzugsrente), if they hold part of the Liquidation Loan of a Federal State in respect of

a) Mark Loans with old possession, or

b) Liquidation Loan legally inherited from a deceased husband or wife, or relative of the first degree of affinity, who acquired such Liquidation Loan in exchange for Mark Loans with old possession.

If they have inherited such Liquidation Loan from their father or mother, they are entitled to a Preferential Annuity only for so long as they are not of age, unless by reason of infirmity of mind or body they are permanently incapacitated from supporting themselves.

(2) The provisions of § 18 paragraph 3, §§ 19 and 20, § 21 paragraphs 1 and 2, § 23 sentence 1, § 25 paragraph 2, and § 26 will apply mutatis mutandis to the Preferential Annuity.

§ 38

Creditors may claim more than one Preferential Annuity of the Reich or of the Federal States only in so far as their total amount does not exceed the maximum rates indicated in § 20. Any necessary reduction will be made in the case of the Preferential Annuity for which application was last lodged by the creditor.

§ 39

The provisions of §§ 30 to 38 do not apply

1. to the liabilities of the Federal States which the Reich has taken over, or is to take over;
2. to the liabilities of the Federal States which are to be met in marks, but the amount of which is based

on a unit of calculation other than the mark;

3. to the liabilities of the Federal States incurred by them as the proprietors of State Land Credit Institutions, or as the proprietors of Credit Institutions under Public Law, whose scrip in virtue of § 51 paragraph 3 of the Revalorisation Law of July 16, 1925 is revalorised on the basis of §§ 47 to 450 of that La .

SECTION 2.

LIQUIDATION OF MARK LOANS OF THE COMMUNES AND COMMUNAL ASSOCIATIONS.

§ 40

(1) Holders of Mark Loans (§ 30) of the Communes and Communal Associations may demand their commutation for Liquidation Loans. Claims for commutation may only validly be made in so far as the amount to be granted in Liquidation Loan works out at 12.50 Reichsmarks or a multiple of that sum.

(2) The Communes and Communal Associations are liable in respect of Mark Loans only in so far as prescribed by the present Law, save in so far as further legislative provision is made by the Federal States.

(3) The provisions of § 30 paragraph 3 and of § 32 apply mutatis mutandis.

(4) The Supreme Authority of the Federal States, or the department authorised to represent it, may appoint a Trustee to protect the rights of holders of the Loans of a Commune or Communal Association (§§ 41, 42 and 43). A Trustee must be appointed upon application by a creditor to the Supreme Authority of the State, or the department

authorised to represent it, within one month from the coming into force of the present Law.

§ 41

(1) The provisions of § 31 will apply mutatis mutandis to the commutation of Mark Loans of the Communes and Communal Associations, and the provisions of § 33 to their Liquidation Loans.

(2) Upon application by the Trustee (§ 40 paragraph 4), the Supreme Authority of the Federal State, or the department authorised to represent it will decide whether the gold value of a Mark Loan later in date than January 1, 1919, has been fixed in accordance with the legal provisions. Such decision is final.

§ 42

(1) That part of the Liquidation Loans which is issued in commutation for Mark Loans with old possession (§ 35) is to be redeemed by means of drawings in not more than thirty equal annual instalments, beginning from the year following the coming into force of the present Law.

(2) The Trustee (§ 40 paragraph 4) may apply to the Supreme Authority of the Federal State, or the department authorised to represent it, for the reduction of the redemption period to not less than twenty years, if this is within the capacity of the debtor.

(3) The debtor may apply to the Supreme Authority of the Federal State, or the department authorised to repre sent it, for the establishment of a longer period than thirty years

for redemption, if this is unavoidable owing to the economic position of the debtor, regard being had to the necessity for the fulfilment of his public obligations, or if the capacity of the debtor is specially heavily reduced by the provisions of the Treaty of Versailles.

§ 43

(1) The drawn amounts of the Liquidation Loans, which are to be amortised under § 42 are to be redeemed in cash at five times their nominal value. The redemption amount will bear interest at the rate of 5 per cent per annum from January 1, 1926, until the end of the redemption year; the interest is payable when redemption is effected.

(2) Upon application, the redemption amount is to be increased to an amount not exceeding ten times the nominal value, in so far as this can be expected of the debtor, regard being had to his financial capacity and public obligations. This does not apply in so far as the Mark Loans are taken over for the account of the Reich in virtue of § 59 paragraph 3 / § 68 paragraph 3 of the Landessteuergesetz of March 30, 1920 (Reichsgesetzblatt page 402) / of the Finanzausgleichgesetz of June 23, 1923 (Reichsgesetzblatt page 494)

(3) Application may be made by the debtor or the Trustee (§ 40 paragraph 4), and must be lodged within 4 months from the coming into force of the present Law, with the Supreme Authority of the Federal State, or the department authorised to represent it.

(4) The Supreme Authority of the Federal State will indicate the departments competent to pronounce a decision on the application. Within a month from the pronouncement, the persons entitled to make application may protest to a Board to be appointed by the Supreme Authority of the State. The decision of the Board is final. More detailed provisions regarding the procedure to be followed will be issued by the Governments of the Federal States.

§ 44

The Governments of the Federal States will issue regulations regarding the manner and date of redemption of that part of the Liquidation Loans which is not issued in commutation for Mark Loans with old possession; in so far as redemption is effected by means of drawings, at least the nominal amount shall be repaid.

§ 45

The provisions of §§ 40 to 44 do not apply

1. to the liabilities of the States which are to be met in marks, but the amount of which is based on a unit of calculation other than the mark,
2. to the liabilities incurred by Communes and Communal Associations as the proprietors of Communal Land Credit Institutions, or as the proprietors of Credit Institutions under Public Law whose scrip in virtue of § 51 paragraph 3 of the Revalorisation Law of July 16, 1925, is revalorised on the basis of §§ 47 to 50 of that Law.

§ 46

The Government of the Reich may, with the assent of the Reichsrat, declare the provisions of the present Law concerning the Mark Loans of Communes and Communal Associations to be applicable to the Loans of other Corporations by Public Law constituted.

P A R T III.

CONCLUDING PROVISIONS AND PENALTIES.

§ 47.

(1) The Finance Minister of the Reich is authorised to expend a single non-recurrent sum of one hundred and fifty million Reichsmarks.

(2) Out of this fund, German nationals resident in Germany, who are in necessitous circumstances (§ 19), and who hold Loans with old possession (§§ 9 to 11) to the total nominal amount of less than 1 000 marks, are to be granted a cash compensation payment of 15 Reichsmarks for each 100 marks of the nominal value of their holding, if application is made: but they have in such cases no claim to Loan Liquidation Debt under § 5. The provision of § 12 paragraph 3 will apply mutatis mutandis.

(3) From the balance remaining, German nationals resident in Germany, who hold Loans with old possession (§§ 9 to 11) to the total nominal amount of less than 1 000 marks, are upon application to be granted a cash compensation payment of 8 Reichsmarks for each 100 marks of the nominal value of their stock, in so far as their annual income does not exceed 1 500 Reichsmarks. The provisions of § 19 paragraph 1 sentence 2 and of § 12 paragraph 3 apply mutatis mutandis.

(4) The balance is to be used for the redemption of participation rights (Auslosungsrechte) acquired as "old" holdings by public Savings Banks, or Savings Banks under State control, by the departments responsible for the public insurance system of the Reich (Reichsversicherung), by the various offices authorised under

Reich or State legislation to make certain grants (Ersatzmassen) and by the offices of the professional associations for the granting of pensions and maintenance allowances.

§ 48.

With prejudice to §§ 49 and 50, the Government of the Reich, with the assent of the Reichsrat, will promulgate the necessary legal decrees and general administrative instructions for the execution of the present Law. In particular, these provisions may -

1. entrust particular departments with the execution of the present Law, especially with the commutation of the Mark Loans of the Reich, and with decisions in regard to the grant of participation rights and Preferential Annuities;

2. declare the departments entrusted with the execution of the present Law competent to take affirmations in lieu of oaths, and to request the lower courts to conduct examinations on oath;

3. authorise the departments entrusted with the execution of the present Law to examine the books and business papers of persons whose profession it is to take custody of securities or to purchase and sell the same for the account of other parties;

4. oblige the persons described under 3 to supply to public authorities, or to private persons, such information and attestations as are of consequence for the execution of the present Law, more especially for the assertion or examination of claims raised in virtue of the provisions of the present Law;

5. take decisions in regard to the assertion of claims founded on the present Law;

6. penalise infringements of the Executory Provisions with a fine not exceeding 10 000 Reichsmarks and imprisonment not exceeding three months, or with one of these penalties.

§ 49.

The Finance Minister of the Reich is authorised -

1. in special cases, for reasons of equity, to undertake the commutation of Mark Loans of the Reich, or to grant participation rights, in spite of the fact that the time limits fixed in §§ 6 and 12 have not been observed;

2. to decree the commutation of stock of the Mark Loans of the Reich for stock of the Loan Liquidation Debt by administrative action (von Amts wegen); in the event of such a decree being issued, the first day of the time limit indicated in § 6 will be taken as the date for the notification;

3. to decree that old holders of stock are to receive participation rights by administrative action (von Amts wegen);

4. to establish regulations for ascertaining whether scrip, Treasury Bonds or stock of the Mark Loans of the Reich are Loans with old possession. The recourse to documentary proof may not be restricted.

The Reichsschuldenverwaltung (Administration of the Public Debt of the Reich) is authorised to place in advance at the disposal of the departments entrusted with their distribution Loan Liquidation Debt scrip and drawing certificates (Auslosungsscheine) for the amount which it is anticipated will be required.

§ 50.

(1) If German nationals in a foreign State receive less favourable treatment than the nationals of that State upon the liquidation of public loans, the Government of the Reich is authorised to make provision by decree for corresponding differential treatment in the case of the nationals of such foreign State.

(2) In so far as under the legislation of a foreign State, that State, or Corporations of that State by Public Law constituted, are not bound to accord to German nationals a higher figure for the liquidation of their Loan holdings than they would receive in Germany under the same conditions in virtue of German regulations, the Government of the Reich is authorised to issue a decree applying corresponding treatment to such foreign State.

(3) The Government of the Reich is authorised to exclude from the liquidation of the Mark Loans of the Reich, of the States or of the Communes and communal associations, the nationals of States under whose law the Mark Loans of Corporations by Public Law Constituted are not liable to revalorisation or liquidation.

§ 51.

The Federal States are authorised to establish detailed provisions for the liquidation of Mark Loans of the States, Communes and communal associations. They may in particular issue regulations for the assertion of the claims founded on Part II of the Present Law, and may allow definitive time limits to be fixed for the submission of such claims. The provision of § 49 point 4 sentence 2 will apply mutatis mutandis.

§ 52.

(1) The provisions of §§ 1010 to 1014 of the Civil Procedure Code do not apply to the procedure for publication (Aufgebotsverfahren) of scrip and stock of Mark Loans due to be commuted, with a view to the declaring null and void of the same. Without prejudice to the provision contained in § 1015 of the Civil Procedure Code, the time limit for such publication may not be extended beyond the last dates of the time limits for which provision is made in §§ 6 and 51 of the present Law.

(2) Persons who apply for publication of scrip and stock of Mark Loans of the Reich due to be commuted, with a view to the declaring null and void of the same, before expiry of the time limit fixed under § 6, but who only obtain the decision to this effect one month before this date or later, are entitled to demand the amount of Loan Liquidation Debt corresponding to the cancelled scrip or stock, together with the participation rights attaching thereto, within three months from the coming into force of the said decision.

§ 53.

The Law of May 19, 1923, concerning the cancellation of small claims registered on the Stock Book of the Reich (Reichsgesetzblatt I page 296) is repealed. Where stock has been cancelled under the said Law without scrip having been issued therefor, such cancellation is deemed not to have taken place.

§ 54.

§§ 51 to 54 of the Revalorisation Law (Aufwertungsgesetz) of July 16,1925, are not applicable to the Mark Loans to be commuted for Liquidation Loans in virtue of the present Law.

§ 55.

Persons infringing the particular Executory Provisions indicated in § 48 point 4, notwithstanding that it lay in their power to supply the required information or attestation from their books or business papers, and that the demand is reasonable, or who oppose examination of their books or business papers by a department authorised to that end in virtue of § 48 point 3, may be subjected to an administrative fine not exeeeding 10 000 Reichsmarks. The provisions of the Penal Code of the Reich are unaffected. The Finance Minister of the Reich, or the department authorised by him to this effect, is competent to determine the amount of the administrative fine. The case may be referred for decision to the Economic Court of the Reich (Reichswirtschaftsgericht) within two weeks from the date when the demand for payment of the fine is presented to the delinquent.

§ 56.

Persons who, through carelessness or deliberate bad faith, make false statements in founding their claims to participation rights, to Preferential Annuities, or to Charitable Annuities, may be subjected to an administrative fine not exceeding 10 000 Reichsmarks. The provisions of § 55 sentences 2 to 4 will apply mutatis mutandis.

§ 57.

Persons who, before the expiry of the time limit indicated in § 6, publicly offer to buy or sell particular numbered certificates of the scrip or Treasury Bonds of the Mark Loans

of the Reich, or institute public enquiries for such certificates, or actively promote such offers or enquiries, will, in so far as no heavier penalty may be imposed by the general Penal Code, be punished by a fine not exceeding three months, or by one of these penalties.

§ 58.

The present Law will come into force simultaneously with the Revalorisation Law of July 16, 1925.

Berlin, July 16, 1925.

The President of the Reich

von HINDENBURG

The Finance Minister of the Reich

von SCHLIEBEN

From the German
Translated - Part I - CFH.
Parts II & III - BWS.

Checked - RB.
Pl.Ro.

Transfer Committee
Economic Service

DOC. 116

OFFICE FOR REPARATION PAYMENTS
33, Luisenstrasse - Berlin,
TRANSLATION SERVICE.

November 12, 1925.

LAW
OF JULY 16, 1925
ON THE LIQUIDATION OF
PUBLIC LOANS

E R R A T A.

The following corrections should be made in the English translation of the German Law of July 16, 1925 on the Liquidation of Public Loans (Gesetz über die Ablösung öffentlicher Anleihen):

1. For "scrip" read "bonds" in the following passages

§ 2 para 1 sub-para 1
§ 3 para 1 sub-para 1
§ 4 para 3 sentences 1 and 2
§ 6 sentence 2
§ 7 (in three places)
§ 10 para 1 sub-para 1 sentence 1 (in two places)
§ 10 para 4 (in three places)
§ 12 para 1 last sentence
§ 16 para 2 (in two places)
§ 17 para 1 (in two places)
§ 30 para 3
§ 45 sub-para 2
§ 49 sub-para 4
§ 49 last sentence
§ 52 para 1
§ 52 para 2 (in two places)
§ 57.

2. in § 16 para 1 for "Participation rights (Auslosungsrechte) are negotiable instruments"
read
"Participation rights (Auslosungsrechte) are individually alienable"

3. It is also suggested that "drawing rights" should be substituted throughout for "participation rights" as the translation of "Auslosungsrechte".

I. 1. 9.3121. Doc. No. 117

Berlin, August 4, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

TAX RECEIPTS OF THE REICH FOR JUNE 1925

(see Doc. No. 106)

Below will be found the figures for receipts from taxation in respect of the principal categories of taxation for the month of June 1925, as well as the average monthly receipts for the first quarter of the 1925 financial year (April - June 1925). These figures may be compared with the receipts for the preceding months and quarters.

	Receipts collected					
	Monthly average					
	Financial year 1924-1925	4th Quarter Financial year 1924-1925	1st Quarter Financial year 1925-1926	June 1924	May 1925	June 1925
	(in millions of RM)					
I. Taxes on income, sales, transports, etc.						
a) recurring	473.2	510.6	451.7	375.8	463.8	398.3
b) non-recurring	6.6	4.5	5.8	2.6	3.5	2.4
II. Customs and taxes on beer, tobacco, etc.,						
a) assigned	118.7	144.6	140.0	85.9	132.8	150.3
b) other	10.2	13.0	10.7	7.6	10.9	10.2
III. Miscellaneous	0.6	0.2	0.2	0.4	0.2	0.1
Total	609.3	672.9	608.4	472.3	610.9	561.3

The decrease in the receipts for the month of June in comparison with the month of May is due to the decrease in the receipts

from recurring taxation on income, sales, transports, etc. details of which are given in the following table.

	Receipts collected					
	Monthly average					
	Financial year 1924-1925	4th Quarter Financial year 1924-1925	1st Quarter Financial year 1925-1926	June 1924	May 1925	June 1925
	(in millions of RM).					
Income Tax						
a) on wages	110.8	125.2	131.7	96.1	136.9	132.0
b) on income from capital	1.6	3.4	13.1	0.6	11.9	13.6
c) other forms of income	71.8	75.4	63.8	55.0	63.3	32.1
Together:	184.2	204.0	208.6	151.7	212.1	177.7
Corporation Tax	26.2	27.9	18.2	20.9	23.8	7.8
Tax on Fortune	41.6	57.0	22.3	12.9	33.4	13.7
Turnover Tax						
a) ordinary	149.5	146.9	123.6	126.3	116.0	117.7
b) extraordinary (luxury)	9.9	11.3	9.2	8.3	9.1	8.9
Tax on Bourse transactions	9.4	10.0	4.8	8.3	4.7	4.3
Transport Tax	26.1	23.9	27.1	23.7	26.6	28.7
Other Taxes	26.3	29.6	37.9	23.7	37.8	39.5
Total:	473.2	510.6	451.7	375.8	463.5	398.3

Anticipatory payments in respect of Income Tax (tax on other forms of income, category c, above) and Corporation Tax are now only payable quarterly. The first payment becomes due on 10 July. The application of this new system of anticipatory payments accounts for the fluctuations in the receipts from these taxes during the month

of June (as mentioned in Doc. No. 106).

Anticipatory payments in respect of the Tax on Fortune do not fall due before 15 August next.

The following table shews the figures for the receipts from customs and assigned revenues, beer, tobacco, etc. which show a substantial increase in June.

	Receipts collected.					
	Monthly average					
	Financial year 1924-1925	4th Quarter Financial year 1924-1925	1st Quarter Financial year 1925-1926	June 1924	May 1925	June 1925
	(in millions of R.M.)					
Customs	29.7	42.1	37.2	22.0	35.7	37.2
Tobacco Tax	42.7	49.3	50.7	36.0	49.5	53.7
Beer Tax	16.3	16.4	21.7	17.7	19.2	28.2
Sugar Tax	18.2	19.4	20.3	8.7	18.2	22.0
Spirits Monopoly	11.8	17.4	10.1	1.5	10.2	9.2
Total:	118.7	144.6	140.0	85.9	132.8	150.3

M.H.

From the French.
Translated - G.H.L.
Checked - R.B.
Ro.

I.I. 9. 4132 a.- Doc. 118

BERLIN, August 10, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE ESTABLISHMENT OF THE RENTENBANK-KREDITANSTALT

(See Documents Nos. 63 and 96)

On July 16, 1925, the Reichstag passed the Bill, which for a long time had been under discussion, for the establishment of the Rentenbank-Kreditanstalt or Credit Institution of the Rentenbank (Law of July 18, 1925, Reichsgesetzblatt I No 145).

The Statute was approved by the Government of the Reich on July 29, 1925, and the meeting for the organisation of the new Institution was held on August 5, 1925.

The Law of July 18, 1925, a translation of which is appended, differs considerably from the Bill submitted by the Government of the Reich to the Reichsrat last March, and analysed in Document No. 63.

Capital of the Credit Institution

For the capital of the Credit Institution, the Law follows the provisions of the original Bill without important alterations. The capital upon organisation consists of the funds of the Rentenbank at present available (170 million R.M.) Thereafter it will be increased by annual payments of 25 million R.M. in accordance with § 9 of the Law of August 30, 1925, concerning the redemption of the Renten Bank Note Circulation. The mortgages imposed on German agriculture in favour of the Rentenbank will lapse upon the definitive liquidation of the Rentenbank,

and will not be transferred to the Credit Institution.

An important clause provides that the capital of the Credit Institution - including the ordinary reserve, but excluding the extraordinary reserve assigned as security for the bonds issued - may not exceed 500 million R.M. except by virtue of a special Law.

Business Operations of the Credit Institution.

The Credit Institution will indirectly grant German agriculture personal credits (loans) and real credits (credits against mortgage or similar security).

It may obtain the necessary funds by means of loans contracted for not less than one year. It will also have the right to issue bonds guaranteed by mortgage bonds of German land credit institutions, or directly guaranteed by means of mortgages established by such institutions on German agricultural or forest property. Although this is not expressly provided by the Law, the Press unanimously declares that such issues of bonds will only be made abroad.

The total amount of the bonds issued may not exceed 6 times the capital of the Credit Institution (8 times with the authorisation of the Reichsrat).

Personal Credits (Loans). The Credit Institution may grant personal credits only through (a) certain establishments specially indicated in the Law, such as the Preussische Zentralgenossenschaftskasse, the Preussische Zentrallandschafts-bank, etc., or (b) through agricultural credit institutions which are approved by a majority of two thirds of the total

votes of the Managing Board.

The Law of July 18, 1925. limits the period during which the Credit Institution may grant personal credits to agriculture to December 31, 1930.

Real Credits (Credits against Mortgage or similar Security)

The Credit Institution proposes to place real credits at the disposal of German agriculture through public or private land credit institutions and Savings Banks.

Administration of the Credit Institution.

The Credit Institution is to be administered by a Governing Body (Vorstand), a Managing Board (Verwaltungsrat) and a General Meeting (Anstaltsversammlung).

The Governing Body is appointed by the Managing Board.

The Managing Board, the Chairman of which is the President of the Rentenbank pending the completion of the liquidation of the Rentenbank, is composed as follows:

1 Chairman;

11 Members elected by the General Meeting;

11 Members (one representing agricultural employees) elected by the Reichsrat for their special knowledge of agricultural credit business;

2 Members (one representing agricultural employees) appointed by the Government of the Reich.

The General Meeting which approves the Balance Sheet and releases the Governing Body and the Managing Board from liability, consists exclusively of representatives of organisation of agricultural employers. It has 110 members who are appointed

as follows:

1. 20 members by the Deutsche Landwirtschaftsrat
2. 20 members by the Reichs-Landbund
3. 20 members by the Vereinigung der Deutschen Bauernvereine
4. 20 members by the Reichsverband der Deutschen Landwirtschaftlichen Genossenschaften
5. 20 members by the Generalverband der Deutschen Raiffeisengenossenschaften
6. 10 members by the Arbeitsgemeinschaft der Organisationen Landwirtschaftlicher Klein- und Mittelbetriebe.

Statutes of the Credit Institution

The Statutes of the Credit Institution of the Rentenbank, which were published in the Reichsanzeiger of August 3, 1925, regulate in detail the internal organisation of the new Institution and fix the conditions on which credits will be granted. A translation of these sections of the Statutes is appended hereto.

x

x x

It should be noted that, as the liquid funds of the Rentenbank have already been used for agricultural credit through the Rentenbank-Treuhandstelle, the establishment of the new Institution will not immediately make available new sources of credit.

x

x x

The American Loan of the Credit Institution of the Rentenbank

Pending the definitive establishment of the Credit Institution, the Rentenbank has for some time been negotiating

with American Banks, and in particular the National City Bank of New York, with a view to raising a loan on the American market. At the end of July it was reported that a credit of 100 million dollars had been secured. This report has been denied, and it would appear that the negotiations have not nearly reached this stage. Apart from the question of the amount of the credit, there are said to be serious difficulties still to be overcome, in particular with regard to the nature of the guarantees (mortgage bonds or mortgages) which the Rentenbank can assign to the loan.

From the French
Translated - B.S
Checked - RB

a.- Doc. 118

STATUTES
OF THE
CREDIT INSTITUTION
OF THE
GERMAN RENTENBANK
(AGRICULTURAL CENTRAL BANK)

BUSINESS OF THE INSTITUTION.

§ I

A) Personal credits (loans) and credits for the encouragement of the cultivation of the soil and of agricultural settlement will be granted against the following securities :

1. Bills repayable in not more than nine months, which are guaranteed normally by three, and in no case by less than two, recognised solvent guarantors,

2. Movable pledges (collateral securities). viz:

   a) mortgage bonds (Pfandbriefe) of German State, Landschaft (agricultural loan societies in Prussia), Communal or other land credit institutions subject to State supervision, or of German mortgage banks, for an amount not exceeding 3/4 of the quoted value. Bearer bonds of the Credit Institution of the German Rentenbank and of German Land Credit Institutions established under Public Law, and bearer bonds of the above-mentioned Institutions and Banks. which are issued in consideration of loans granted to

Communal corporations in Germany or against the guarantee of any such corporation, shall be regarded as being on the same footing as the aforesaid mortgage bonds (Pfandbriefe),

b) the participation rights in drawings (Auslosungsrechte) of the Loan Liquidation Debt of the German Reich (Anleiheablösungsschuld des Deutschen Reiches); bearer bonds carrying interest or repayable after one year, of the Reich, the German Federal States or German communal associations, which have been issued since January 1, 1925: interest-bearing bearer bonds issued since January 1, 1925, the interest of which is guaranteed by the Reich or by one of the Federal States, for an amount not exceeding 3/4 of the quoted value,

c) loans for material values which are secured by mortgage or other rights and are recognised by the Reichsbank as suitable security for loans, as well as loans for material values of the Federal States, for an amount not exceeding 3/4 of the quoted value,

d) interest-bearing bearer bonds of non-German States and State guaranteed foreign railway preference debentures, for an amount not exceeding 50 per cent of the quoted value,

e) Reichsbank shares for an amount not exceeding 60 per cent of the quoted value,

f) any other collateral accepted by the Reichsbank for loans at its loan rate,

g) in the case of loans granted under § 3 paragraph 1 figure 1 c of the Law, bonds and debentures of associations established under Public Law in Germany, provided that they are the owners or holders of undertakings established for carrying out agricultural improvements or that their business is mainly concerned with the granting of credits for the execution of agricultural improvements (Meliorationskredite), and likewise agrarian annuity bonds (Landeskulturrentenbriefe), for an amount not exceeding 3/4 of the quoted value; also, security given by agricultural settlement undertakings on land in accordance with the Land Register regulations.

B) In special cases, guarantee by the Reich, by one of the States, or by a provincial association may be regarded as security.

§ II.

(1) The mortgage bonds (Pfandbriefe) accepted as cover for bonds issued, or as security in the case of loans for the purpose of supplying agriculture with real credit (credits against mortgages or similar security), must be covered by mortgages on agricultural or forest land in Germany, which are granted out of funds derived from the Institution.

(2) In so far as the bonds are covered by mortgages, the mortgages constituting such cover must be for at least the same amount as the bonds themselves; and the interest yielded by the mortgages must be the same as the interest yielded by the Bonds.

LAW

CONCERNING THE ESTABLISHMENT OF THE CREDIT INSTITUTION OF THE GERMAN RENTENBANK OF JULY 18, 1925.

The Reichstag has adopted the following Law, which is hereby promulgated with the assent of the Reichsrat.

§ 1.

An institution with the title of DEUTSCHE RENTENBANK-KREDITANSTALT (LANDWIRTSCHAFTLICHE ZENTRALBANK) - CREDIT INSTITUTION OF THE GERMAN RENTENBANK (AGRICULTURAL CENTRAL BANK) - shall be established with registered head offices in Berlin with a view to procuring and granting credits for the purposes of German agriculture. The Institution shall have the status of a legal personality for the purpose of Public Law.

§ 2.

The object of the Credit Institution of the German Rentenbank shall be to procure and grant credits for the purposes of German agriculture in all its branches, including the encouragement of the cultivation of the soil and of agricultural settlement. Credits shall only be granted to the Credit Institutions and Offices mentioned in § 3 paragraph 1, figure 1 and § 4.

The credits are to be granted for the purpose of encouraging agricultural production. The conditions and requirements of the individual States and divisions of States, and the different categories in which agricultural undertakings are classified, by size shall be taken into consideration in the granting of credits.

§ 3.

The Credit Institution of the German Rentenbank shall be authorised, subject to the detailed provisions in its Statutes, to carry on the following business:

1. to grant loans upon interest

(a) to the Credit Institutions mentioned in § 4 paragraph 1 for the purpose of supplying German agriculture with real credits (credits against mortgage or similar security);

(b) to the Credit Institutions mentioned in § 4 paragraph 2 for the purpose of supplying German agriculture with personal credits (loans);

(c) to the States and to the organisations specified by the Government of the Reich and by the Governments of the States for the purpose of encouraging the cultivation of the soil and agricultural settlement.

The transaction of business coming under No. 1, sub-para. (b) shall be limited to the period up to and including December 31, 1930. The Government of the Reich shall be empowered to extend this period subject to the approval of the Reichsrat and of a Committee of the Reichstag to be appointed by the Reichstag; such extension shall in no case exceed two years.

2. to issue bearer-bonds in accordance with the prescriptions of §12.

3. to contract loans for a period of not less than one year for the purposes mentioned in figure 1;

4. to buy and sell foreign currencies in consultation with the Reichsbank, in so far as is necessary for the fulfilment of its (the Credit Institution's) duties;

5. to utilise any available cash balances by investing them as short-term deposits with sound banking firms.

In the case of loans granted to Personal Credit Institutions the interest terms are to be framed in such a manner that the last recipients of credits shall in principle uniformly pay the same rate of interest; for this purpose recipients of credits from the Credit Institution of the German Rentenbank who do not transfer such credits direct, but through one or more intermediate agencies, shall be granted a proportionate reduction in the rate of interest as compared with the rates paid by other recipients.

§ 4.

Loans for the purpose of supplying agriculture with real credits (credits against mortgage or similar security) may be granted to

1. real credit institutions established under Public Law or similar institutions established under Private Law and subject to State supervision, which transact agricultural real credit business and furnish the securities specified in § 12 paragraph 2;
2. the head organisations of Savings Banks established under Public Law which transact agricultural real credit business and furnish the securities mentioned in § 12 paragraph 2.

Applications for loans for the purpose of supplying agriculture with personal credits (loans) may be received, provided that the requisite qualifications are furnished, from

1. the following credit institutions:
   (a) Preussische Zentralgenossenschaftskasse,
   (b) Preussische Centrallandschaftsbank,
   (c) Deutsche Landesbankenzentrale A.G.,
   (d) The State Banks of the different States,

(e) The private Banks of Issue of the States of Bavaria, Saxony, Wurtemberg and Baden,

(f) German Girozentrale,

(g) a credit institution of agricultural employees which transacts mainly agricultural credit business and the Zentrale der Getreidekreditbanken A.G.,

(h) the following institutions:

Bank für Landwirtschaft A.G., Berlin,

Landmannbank A.G., Berlin,

the joint stock banks of the Reichsverband of the German Agricultural Associations,

Deutsche Bauernbank A.G., Berlin,

a central banking institution of the small and intermediate agricultural concerns combined together in the Reichsverband landwirtschaftlicher Kleinbetriebe (Association of Small Agricultural Concerns of the Reich), the Deutscher Bauernbund (German Peasants Union) and Bayerischer Bauernbund (Bavarian Peasants Union),

subject to the proviso that the total credit granted to all these institutions or groups shall not exceed 10 per cent of the total of all the personal credits granted; further, the credits granted to the five institutions or groups shall so far as possible be identical in amount;

2. any institutions of a central character which mainly transact agricultural credit business and are approved by a majority of not less than two-thirds of the total votes of the Managing Board.

Personal credits shall only be granted upon the securities specified in the Statutes.

§ 5.

The Credit Institution of the German Rentenbank shall be subject to the supervision of the Government of the Reich in accordance with the detailed stipulations set forth in the Rules of Application. The supervisory authority shall be authorised, in particular, to take any measures necessary to ensure that the business of the Credit Institution is transacted in conformity with the laws, the Statutes and any other binding regulations. Neverthless, the Credit Institution shall be autonomous as regards its administration and the transaction of business and also as regards the appointment of staff.

The Government of the Reich shall keep the Reichsrat regularly informed concerning the business of the Credit Institution.

§ 6.

The capital of the Credit Institution of the German Rentenbank shall consist of the funds of the German Rentenbank transferred to it upon establishment in conformity with § 9 of the Law concerning the Redemption of the Rentenbank Note Circulation.

To this capital shall be added the amounts transferred annually by the Reichsbank and the German Rentenbank to the Credit Institution in accordance with § 9 of the aforesaid Law.

§ 7.

The Credit Institution of the German Rentenbank shall have a Governing Body (Vorstand), a Managing Board (Verwaltungsrat) and a General Meeting (Anstaltswersammlung).

The Government Body (Vorstand) shall be appointed by the Managing Board. The Governing Body shall be responsible for the transaction of business and the administration of the property of

the Credit Institution, with the exception of such business as is entrusted to other organisations by the Laws or Statutes.

The Governing Body shall represent the Credit Institution in all judicial and non-judicial matters. Statements shall be binding on the Credit Institution , if they are made either by two members of the Governing Body or jointly by one member of the Governing Body and a person authorised to sign for the Institution. A statement made by two persons authorised to sign for the Institution shall also be regarded as binding upon it. Substitute members of the Governing Body shall be on the same footing as ordinary members of the Governing Body in respect of powers of representation. Any restriction of the powers of representation shall be inoperative as regards third parties.

Documents which are binding on the Credit Institution shall be signed in the following manner. The persons signing shall append their signatures to the title of the Institution.

In the case of formal declarations to be made to the Institution, such declaration shall be valid if received by a member of the Governing Body without further formality.

§ 8.

The General Meeting (Anstaltsversammlung) shall consist of 110 members to be appointed as follows.

1. 20 members by the Deutscher Landwirtschaftsrat,
2. 20 members by the Reichs-Landbund,
3. 20 members by the Vereinigung der Deutschen Bauernvereine,

4. 20 members by the Reichsverband der Deutschen Landwirtschaftlichen Genossenschaften,
5. 20 members by the Generalverband der Deutschen Raiffeisengenossenschaften.
6. 10 members by the Arbeitsgemeinschaft der Organisationen landwirtschaftlicher Klein-und Mittelbetriebe.

Should one of the organisations mentioned in paragraphs 2 to 6 cease to exist without assigning its right to a successor, the Managing Board shall decide upon a successor to the position of such organisation by a two-thirds majority of its total number of votes. The same provision shall apply in the case of any abnormal reduction in the membership of one of the above-mentioned organisations either through disruption or the secession of a large number of members or for any other similar cause. Should the Managing Board be unable to obtain a two-thirds majority of its total number of votes, a decision shall be taken by the Government of the Reich.

The members of the General Meeting shall be appointed for five years each.

§ 9.

The Managing Board (Verwaltungsrat) shall consist of

1. The Chairman;
2. eleven persons elected by the General Meeting of the Credit Institution of the German Rentenbank. These eleven members shall be elected from among the persons proposed by the groups represented in the General Meeting, in such a way that each group shall be represented in the Managing Board by a number of members proportionate to its representation in the General Meeting;

3. eleven persons elected by the Reichsrat for their special knowledge of matters appertaining to agricultural credits. These members must include not less than three farmers and one representative of agricultural employees;
4. one representative of agricultural employees appointed by the Government of the Reich;
5. one other person appointed by the Government of the Reich.

The Managing Board shall, in addition, be entitled to elect by a two-thirds majority two experts in credit matters.

The representatives of agricultural employees mentioned under figures 3 and 4 shall be proposed by the principal organisations of agricultural employees.

The members of the Managing Board shall be appointed for a period of five years.

The President of the German Rentenbank shall be Chairman of the Managing Board pending the completion of the liquidation of the German Rentenbank. The Chairman shall thereafter be elected by the Managing Board. The election shall be subject to the approval of the Government of the Reich.

The Managing Board shall be entitled by a two-thirds majority of its total number of votes to form committees of its members and by the same majority to transfer specific powers to them.

The Managing Board shall be responsible for the supervision of all current business transactions of the Credit Institution of the German Rentenbank. It shall issue all necessary general and special instructions to the Governing Body. It

shall issue general and special instructions specifying the transactions which require its approval before conclusion. Its approval shall be sought, in particular, for the contracts appointing members of the Governing Body. The Managing Board shall be entitled at any time to cancel the appointment of any member of the Governing Body, substitute member of the Governing Body or person authorised to sign on behalf of the Credit Institution.

In all other matters the organisation of the Credit Institution, including the provisions relative to substitutes for members of the Managing Board, shall be prescribed by the Statutes.

§ 10.

Within the six months immediately following the expiry of each business year the General Meeting shall take a decision concerning the balance-sheet and the profit and loss account, which shall be submitted to it within the above-mentioned period by the Governing Body and Managing Board together with a Report showing the assets and business position of the Credit Institution of the German Rentenbank. It shall, further, take a decision as regards releasing the Governing Body and Managing Board from liability.

After approval by the General Meeting the balance-sheet and profit and loss account together with an extract from the Report on business operations shall be published in the Deutscher Reichsanzeiger and also in the periodicals designated for the announcements of the Credit Institution.

§ 11.

The excess of all assets over all liabilities resulting from the balance-sheet as approved after deduction of all amounts written off or placed to the reserve shall form the nett profits of the Credit Institution of the German Rentenbank.

§ 12.

For the purpose of procuring funds for granting credit to agriculture, the Credit Institution of the German Rentenbank shall be entitled, with the approval of the Government of the Reich, to issue bearer-bonds upon interest for a total sum not exceeding six times (and, subject to the assent of the Reichsrat, not exceeding eight times) the amount of its capital, The proceeds shall be utilised for the purpose of granting credit for the economic development of agricultural concerns.

The bonds must be secured for their full amount by mortgage bonds (Pfandbriefe) of German State, Communal, Landschaft (agricultural loan Societies in Prussia), or other land credit institutions subject to State supervision, or of German mortgage banks, or by mortgages raised on behalf of the above-mentioned credit institutions, or of savings banks established under Public Law, on agricultural or forest land in Germany and pledged or ceded to the Credit Institution. The mortgages must at the least comply with the requirements of the Mortgage Bank Law. The security may also consist of debentures issued by associations established under Public Law in Germany, provided that the latter are the owners or holders of undertakings established for carrying out agricultural improvements or that their business is mainly concerned with the granting of credits for the execution of agricultural improvements (Meliorationskredite).

The general regulations concerning the bearer-bonds to be issued in accordance with paragraph 1 shall be promulgated by the Government of the Reich subject to the assent of the Reichsrat.

§ 13.

In the course of the second month of each Calendar half-year, the Credit Institution of the German Rentenbank shall publish in the Deutscher Reichsanzeiger and in the periodicals designated for the announcements of the Credit Institution the total amount of the bonds issued which were in circulation on the last day of the preceding half-year, together with the total amount of mortgages and mortgage bonds (Pfandbriefe)held as security and carried forward according to the position on the last day of the preceding half-year after deduction of all reductions of the totals by repayment or otherwise, and the amount of cash held in lieu of mortgage bonds or mortgages as cover for the bonds.

Where mortgage bonds or mortgages are accepted as cover for the bonds issued, the whole amount of which mortgage bonds or mortgages is not available for the purpose of such cover, the amount of the said mortgage bonds or mortgages which is not reckoned towards the cover shall be intimated in the notification.

Not less than one-quarter of the nett annual profits shall be transferred to a principal reserve fund, until the said fund amounts to one-tenth of the capital. The principal reserve fund may be increased beyond this amount.

If bonds are issued under the terms of § 3 figure 2, and § 12, a special reserve fund shall be formed as a special security for the bondholders. Not less than one-third of the nett profits shall be transferred to the special reserve fund. Provided that this latter fund is equivalent to five per cent of the bonds issued at any given time, no further sums shall be transferred to it. The special reserve fund may only be

made the subject of investment in accordance with the detailed provisions contained in the Statutes.

The balance of the nett profits shall be transferred to the principal reserve fund, unless it is decided to form other reserve funds, or shall be utilised to increase the capital of the Credit Institution. It may also be utilised for agricultural purposes within the meaning of § 2 or a sum not exceeding the amount of the interest on the mortgage charges on agriculture which is transferred to the Credit Institution by the Reichsbank for each expired business year under the first sentence of § 9 of the Law of August 30, 1924, concerning the Redemption of the Rentenbank Note Circulation (Reichsgesetzblatt II p. 252) may be placed at the disposal of the Reichsbank as a subvention to the Rentenbank Note Redemption Fund (loc. cit. § 6 et seq.).

In so far as the nett profits are not utilised for increasing the capital nor for reserve funds, nor for the special reserve fund, nor for transfer to the Rentenbank Note Redemption Fund, any decision taken with regard to the utilisation thereof shall require the approval of the Government of the Reich and the assent of the Reichsrat. Should such approval or assent be refused, the decision as to the utilisation of the nett profits shall be taken by a committee consisting of six members, of whom the Government of the Reich, the Reichsrat and the General Meeting shall each nominate two.

As soon as the capital, inclusive of the reserve funds, but exclusive of the special reserve fund for safeguarding the bondholders (paragraph 3), has attained the sum of 500 000 000 Reichsmarks, further sums shall not be transferred from the nett profits to the capital or reserve funds - except for the purpose of bringing the special reserve fund up to 5 per cent of the bonds issued at any given time (paragraph 3) - save only by virtue of a special law.

Any fraction of the nett profits, which is not used for increasing the capital, the reserve funds or the special reserve fund, shall only be utilised for agricultural purposes within the meaning of § 2 or for transfer to the Reichsbank's Rentenbank Note Redemption Fund in accordance with paragraph 4.

§ 14.

The first Statutes of the Credit Institution of the German Rentenbank shall be drawn up by the Board of Control (Aufsichtsrat) of the German Rentenbank. The Statutes shall be approved by the Government of the Reich.

Should no Statutes be adopted in accordance with the preceding paragraph within six weeks of the coming into force of the present Law, the Statutes may be issued by the Government of the Reich.

Amendments to the Statutes shall be submitted to the General Meeting for a decision.

Such amendments shall require the approval of the Government of the Reich.

They must also be submitted to the Reichsrat for assent.

§ 15.

The Bankruptcy Fundamental Law (Konkursordnung) shall apply mutatis mutandis to the Credit Institution of the German Rentenbank.

In the event of bankruptcy the claims of the bondholders shall have priority over the claims of all other creditors in respect of payment arising out of the rights possessed by the Credit Institution in virtue of credits granted from the sales of the bonds, and also in respect of payment arising out of the cover formed in accordance with § 12 paragraph 2. There shall be no difference of status as between one bondholder and another. With regard to the claim of bondholders to payment from the other .....

property of the Credit Institution, the provisions contained in § 64, § 153, § 155, § 156 and § 168 paragraph 3, of the Bankruptcy Fundamental Law relative to creditors entitled to special treatment shall be applicable mutatis mutandis.

§ 16.

The Credit Institution of the German Rentenbank shall enjoy exemption from the taxes levied by the Reich, the States and the Communes (or communal associations) on income, fortune, landed property and industry to the extent to which exemption from these taxes is enjoyed by the Landschaften (agricultural loan societies in Prussia) or other credit institutions of the different States under the regulations in force from time to time.

No taxes or charges of any kind shall be levied by the Reich, the States or the Communes (or communal associations) as a result of the establishment of the Credit Institution of the German Rentenbank. The foregoing provision shall apply to the transfers from the Reichsbank, the German Rentenbank (§ 6) and the Offices of the Trustee for the German Rentenbank.

The bonds of the Credit Institution mentioned in § 12 shall be on the same footing as the bonds of mortgage banks established in Germany in respect of the tax on securities instituted by the Law on the Transfer of Capital Tax (Kapitalverkehrsteuer).

Should a securities tax be levied in respect of the bonds (paragraph 3), mortgage bonds (Pfandbriefe) issued by the Land Credit Institutions and Mortgage Banks mentioned in § 12 paragraph 2) shall be exempt from such securities tax, provided that such mortgage bonds are intended solely as security for the bonds of the Credit Institution in conformity with § 12 paragraph 2, and that their non-

negotiability is adequately ensured. The Finance Minister of the Reich shall be empowered to draw up detailed provisions relative to the formalities and to establish further conditions as regards the exemption of the mortgage bonds.

§ 17.

The General Meeting shall, with the approval of the Government of the Reich and subject to the assent of the Reichstag and of the Reichsrat, decide with regard to the disposal of the balance of the property owned by the Credit Institution of the German Rentenbank after the completion of its liquidation. Such liquidation shall only be instituted in virtue of a law. The balance of the Institution's property shall only be utilised for agricultural purposes within the meaning of § 2.

§ 18.

The mortgage charges on agriculture instituted on behalf of the German Rentenbank (§ 4 of the Law concerning the Redemption of the German Rentenbank Note Circulation) shall expire coincidently with the completion of the liquidation of the German Rentenbank.

Further, the provisions contained in § 19 of the Law concerning the Redemption of the German Rentenbank Note Circulation shall form the subject of a special law.

§ 19.

The right to issue the necessary administrative regulations for the execution of the present Law shall be reserved to the Government of the Reich.

Berlin, July 18, 1925.

von HINDENBURG
President of the Reich.

Graf von KANITZ
Minister of the Reich for Food and Agriculture.

von SCHLIEBEN
Finance Minister of Reich.

NEUHAUS
Minister of the Reich for Economic Affairs.

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TRANSFER COMMITTEE

ECONOMIC SERVICE

THE POLICY OF THE REICHSBANK IN REGARD TO RESERVES

An article, which appeared in the "Frankfurter Zeitung" of August 1, 1925, on the policy of the Reichsbank in regard to its Gold and Foreign Exchange Reserves, is reproduced below. The close relations of this paper with German banking circles lend interest to the article, following as it does on the visit of the Governor of the Bank of England and the President of the Federal Reserve Bank to Berlin.

The Main Committee of the Reichsbank was convened last Tuesday after an interval of several months. The Reichsbank-Präsidium explained in detail to the Committee the reasons why there could be no question at the present time of a reduction in the bank rate. The members of the Committee must have been surprised to hear such a defence of the policy of the Bank at a time when, in view of the strained situation of the money market, there can hardly be two opinions among business men as to the possibility of a reduction of interest. The unanimous concurrence on the part of the Committee, in the view of the Management, will however confirm the latter in the conviction that non-economic considerations cannot be allowed a place in the discount policy of the Bank.

Another statement of policy was made at this meeting of the Committee, which constitutes to some extent a turning-point in the gold policy of the Reichsbank. Although it was always the aim of the Management of the Reichsbank to strengthen its Gold and Foreign Exchange Reserve as much as possible, it came nevertheless as a surprise to hear that the Reichsbank regarded the Foreign Exchange cover granted to it under the Bank Law merely as a temporary expedient, and that

it much preferred to establish its reserves in coined and uncoined Gold. As is known, the provisions of the Bank Law require the Reichsbank always to retain a 40 per cent cover for its notes in circulation, either in Gold or in Foreign Exchange. At least three-quarters of this cover must be gold. Hitherto the Reichsbank had always seen to it that three-quarters - but not more - were in gold, while in future it will seek, by converting foreign exchange into gold, to increase the percentage of the gold cover; in other words, it waives the right under the Bank Law to invest 25 per cent of the total cover in interest-bearing foreign exchange.

It is not unanimously agreed that gold is the best cover for a Bank of Issue. The minimum cover in the Bank Law is only a relic of antiquated currency ideas. No reserve, which cannot be touched, can be justified today. Foreign exchange is a more rational form of reserve than the costly process of hoarding gold. Foreign exchange has the advantage over gold, as an investment for the Reserve Fund of a large Bank, that it has not to be converted into foreign currency, as gold must be if it is to be used for its primary purpose, that is to say, the compensating of temporary fluctuations in the balance of payments. There is the further advantage of the interest, which in the case of impoverished Germany is a matter not without importance.

The answer of the Reichsbank Management to such objections is as follows. There are only five currencies today, which need be considered for purposes of investment. If the Bank immobilises its resources in this manner, there is a danger of its falling into a state of undesirable dependence. The Reichsbank, as the Central Bank of Germany, must at all costs avoid losses on exchange. The Gold Reserve of the Reichsbank is perfectly good for throwing direct on the currency market, particularly as it is understood that for some time past there has been a demand for

coined gold. The significance of the loss of interest should not overestimated. The Bank Law only allows the Bank to retain one-quarter of the Reserve in foreign exchange. Three-quarters would in any case bear no interest.

The decision of the Reichsbank to depart from the ratio of 3 to 1 between gold cover and foreign exchange cover was no doubt determined by other considerations as well. The solution of the great problem, how America's enormous gold reserves are to be distributed and rendered innocuous, will largely depend on the gold policy of the Reichsbank, as the first of the great gold Banks of Issue on the Continent to be reestablished on a gold basis. The attitude and activities of the Bank - within, it is true, the limits set by the Dawes Laws - will have a determining influence abroad upon the attitude of the other great Banks, when their currencies come to be stabilised. Only if America is able to shift her gold to Europe, will it be possible permanently to obviate the danger of a general fall in the value of gold in all countries. The best method of assuring the maintenance of the value of gold is to preach the doctrine of the Gold Standard. Since the Reichsmark has been so closely associated with the gold dollar, the Reichsbank, as the guardian of the Reichsmark, holds itself in part at any rate responsible for the utilisation of that currency to the best advantage. It cannot therefore logically refuse its assistance in the distribution of American credits.

If such a policy has the incidental advantage of strengthening the relations between the Banks of Issue of England and America on the one hand and the Reichsbank on the other, and if the support, which the Reichsbank thus gives to the leaders of the Federal Reserve Bank policy, enables it to become to some extent the recognised mandatory for the furtherance of

common interests on the Continent, even those who do not see eye to eye with the Reichsbank in the matter of actual gold cover, and prefer foreign exchange to gold for reserve purposes, may well be moved to withdraw such objections of principle. More important for Germany in her present position than an orthodox theory of money is the strengthening of her international credit relations.

We may be quite certain that all these questions were discussed in every detail with the Governors of the Bank of England and of the Federal Reserve Bank on the occasion of their recent visit to the President of the Reichsbank. Although the difficulties, with which the Americans are concerned in connection with the decentralisation of their gold reserves in the future, must not be underestimated, it should be pointed out that there is no urgent necessity for any particular measures. For this reason (as we explained in our No.511) the agreement in principle between the three Central Banks was confirmed, but no detailed undertakings given. It would be a great mistake, for instance, to think that the rediscount negociations between the Golddiskontbank and American Banks were connected in any way with the conference. Ever since the Golddiskontbank increased its loans to the maximum of its resources (£ 6.5 millions) it has been carrying on these negociations on its own initiative with Banks of all kinds. These negociations have nothing to do with the visit of the Governors of the Bank of England and the Federal Reserve Bank: nor have undertakings been given on either side in regard to the purchase of gold. The Reichsbank has, as always, a free hand; and it is not even to be assumed that it will purchase gold on a large scale in the near future. It is not a matter of a definite agreement now or in the near future, but of the conviction of the lending countries that the Reichsbank is willing to accumulate gold. The aim of the currency policy of America in supporting credits to Europe is based on the belief

that the yellow metal can be set in motion in this way.

The foreign exchange holdings of the Reichsbank were larger at the beginning of the year than they are now after the efflux of foreign exchange during the last few months. The total published Reserve, it is true, has greatly increased. The Gold Reserve rose between the end of 1924 and July 23, 1925, by 343 millions, making 1103 millions; and the Foreign Exchange Reserve by about 115 millions, making 367 millions. This increase of the published Reserve of 458 millions has however been accompanied by a marked reduction in the free holdings of foreign exchange. There are no exact figures to hand. The Reichsbank is anxious to avoid disclosing its special resources in view of the present instability of the international foreign exchange market. Consequently, we have to content ourselves with the results of complicated conclusions based on the fluctuations of the item "Other Assets", after the deduction of the Rentenbank notes entered under that heading. Not including Rentenbank notes, "Other Assets" amounted on July 23 to only 339 million RM. This does not however help us to ascertain the amount of the free holdings of foreign exchange; for, as a result of the realisation of large amounts of the foreign exchange holdings during the last year, the position of the Reichsbank is even stronger than appears on paper.

Should there be another influx of foreign credits in the near future, and in particular should the floating of the Rentenbank Loan proceed from the outset without a hitch, then(inasmuch as its proceeds will presumably be used, not only for financing foreign imports, but will flow back into the coffers of the Reichsbank - as in the case of the 800 million Dawes Loan -) an increase in reserves will naturally follow. This would not perhaps be a bad thing in view of the shortage in the circulation of Rentenbank notes which is to be expected in the late autumn.

From the German
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GS.

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Berlin, Aug. 13, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE DISKONTO - GESELLSCHAFT

ON

THE TRANSFER PROBLEM

The Diskonto-Gesellschaft devotes the greater part of its Bulletin of July 31, 1925, to the Reparation question. A complete translation of the text is given below.

"The first Reparation year from the coming in force of the London Agreement ends in a few weeks. From every kind of quartor, in Germany and abroad, complacent references have been made to the satisfactory operation of the Dawes Plan up till now. It is a fact that the course of events, foreshadowed in the Agreement, has been uninterrupted up to the present. The payments to the Agent General up to June 30, 1925, in fact amounted to 780 million gold marks, which was approximately ten-twelfths of the first annuity of one milliard due at the end of August. Of this sum only 100 millions was the contribution of German industry : the rest was all derived from the international loan. There are still 130 millions of the Loan at disposal. That the remainder of the first annuity will be found in due time by the Railway Company, in the form of 100 million gold marks of interest on its Reparation Bonds, is beyond question. With the payment of this sum the financial side of the latest Reparation Plan, it is suggested, will have justified itself,

so far as the production of the prescribed amounts in the first Reparation year is concerned.

Nor has the transfer of Germany's payments to the creditors hitherto encountered difficulties. In the ten months, which have elapsed, the 780 millions have been disposed of as follows. Some 188 millions have gone to Occupation, Administrative and Control costs : some 60 millions went to the service of the External Loan 1924, and these had to be paid in foreign currencies : about 26 millions remain untouched in the hands of the Agent General : and some 500 millions have been distributed among the Reparation creditors. Of these 500 millions, which are real Reparation payments in respect of the use to which they are put, the creditors have taken 345 millions, or approximately 70 per cent, in the form of Reparations in Kind, and the remaining 152 millions in the form of levies under the Reparation Recovery Acts.

The English Reparation Recovery duty, it is well known, has been levied since April 1925 in a new form. Lump sum payments are now made monthly by the German Government to the British Government direct; and the German exporter and English importer have no longer to concern themselves with the actual levy of the duty, which was previously harassing in the extreme, and appreciably hampered German trade with Great Britain. The new arrangement is dependent on the delivery by the exporting firms to the Reichsbank of a part of the foreign currency, accruing to them from their operations, against the equivalent in Reichsmarks. Otherwise the German Government does not dispose of the sterling amounts required for the lump sum payments which it has to remit

monthly to the Bank of England for account of the Agent General for Reparation Payments.

It will be clear from the above description of the procedure in the case of the English Recovery Act that it is a case here of a pure cash transfer of foreign currency. In the first ten months of the first Reparation year the Recovery Act payments account for about 20 per cent of the total Reparation payments. At this rate the total payments under the Recovery Acts for the whole of the first Reparation year would amount to about 200 million gold marks (the whole annuity being one milliard). The service of the interest of the Loan requires, as stated, another 60 millions of foreign currency. It is further to be expected that a part of the Administrative and Occupation costs will be converted by the recipients into foreign currency. Taking all these factors into account, the requirements of foreign currency may be estimated at a round sum of 300 million Reichsmarks: in which calculation the financing of the import of the raw materials, which will doubtless be required in connection with the deliveries in kind, is not left out of account. What is certain is that the transfer of foreign currency in the first Reparation year cannot be financed out of surplus holdings in Germany, but only by foreign credits to German private industry.

This much discussed Problem of the Transfers will attain to greater significance in the second Reparation year. If the costs of Occupation and Control, deliveries in kind, and Recovery Act duties, remain at their present level, another 220 million gold marks will be required for cash transfers (the annuity being in the second year 1.22 milliards). That the deliveries in kind

can be increased to any appreciable degree is not very probable in view of the widespread opposition which has already made itself apparent on the part of the manufacturing industries in the creditor countries; for example, in connection with the delivery of railway rolling stock, etc. Nor does it appear possible to increase the deliveries of coal, in view of the conditions prevailing in the coal-mining industry in France and Belgium.

On the above premises the question arises how, in the course of the second Reparation year which is just about to begin, the foreign currency which will be required for the transfer of some 520 million gold marks (including Recovery Act payments) are to be obtained by that "increase in the volume of Exports" which it was the object of the Dawes Plan to promote. The present position of the German trade balance, which had an adverse balance (i.e. an excess of imports over exports of merchandise) of 2.7 milliards for the whole of 1924 and another of 2.276 milliards for the first six months of 1925 alone, makes the production of the required sums by the development of exports on the lines of the Experts' Plan improbable in the near future. It is true that the adverse balance of 2.276 milliards includes an increase in the import of food-stuffs of about 855 millions over the previous year : and in view of the not unfavourable harvest prospects this item may not recur in the future. But even so it remains true that the readiness of foreign countries to take German goods is not likely, in view of the Protectionist leanings which are everywhere observable, to become more marked. That the Transfer Problem is causing uneasiness in view of the present situation to those who were responsible for the Dawes Plan is evident from the references to the subject at the Congress of the International Chamber of Commerce in Brussels. The only conclusion which the Congress

was in a position to draw was the assertion of the truth, which the Dawes Plan had already recorded, that in the last analysis Germany can only pay Reparations out of export surpluses.

Before all else the question arises whether German Economy in the first Reparation year, which with its provision of 800 millions odd for Reparation purposes from the proceeds of the External Loan must be called a year of special respite for Germany, has derived the stimulus on which the Experts reckoned. Further there arises the question whether another expectation of the Experts has been realised, that is to say whether the other countries of Europe and of the world in general have experienced the economic consolidation, which was to enable them to absorb a sufficient quantity of Germany's products. And to both of these questions there can be no other answer than "NO!"

From the German
Translated - RB
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TRANSFER COMMITTEE

ECONOMIC SERVICE BERLIN, Aug 17, 1925.

STATEMENT BY GEHEIMRAT KASTL ON THE OUTPUT AND MARKETS OF GERMANY.

Ministerialrat Kastl who, it will be recollected, succeeded Herr Bücher in the post of Director of the Präsidium of the Reichsverband der Industrie, recently addressed the members of the Verband on "the development of production and the organisation of markets to meet the requirements of the present situation". The following is a summary of his speech.

If Europe was in a state of chaos, this was because the Allied Powers had been slow to grasp that economic forces are ultimately stronger than political forces. The first serious attempt at "European reconstruction" was the Genoa Conference. It failed because France refused to allow discussion of the essential problem - Reparations. The Dawes Plan was the second attempt. "This brings the Reparation question into the sphere of economics. It is too soon to determine what effect it will have on German industry. Those who argue that it is responsible for the present crisis fail to realise that its effects cannot possibly be felt at so early a date in the circles concerned. It is still as impossible as it was a year ago to say with certainty whether the "internal mobilisation of the annuity" - and this is the real root of the matter - can or cannot be carried out. But it cannot be too often repeated that the Dawes Plan must not fail through the fault of Germany. On the other hand, the Germans need to be convinced that their efforts will lead to peace abroad and at home. While it is possible for German territory to be occupied in spite of Treaties, the German nation will not have that conviction.

I am here speaking more particularly to America, who claims the loyal and peaceful execution of the Dawes Plan."

Leaving the Reparation question on one side, Dr. Kastl asked how Germany was to increase her output and her markets.

Output.

It must be admitted, said Dr. Kastl, that the productive machinery of Germany worked badly. There were important reforms to be carried out in connection with industrial organisation and technique, transport, etc.

In spite, however, of the progress of machinery, the most active factor in production was still human labour. The workers considered that an increase in output would not be to their advantage. They thought that there were not enough markets available, and that the complete and sustained utilisation of the forces of labour would mean an increase in unemployment. They were wrong not to admit the possibility of development. It was also to be regretted that the workers looked on the leaders of industry, not as collaborators, but as representatives of a class whose every effort was directed towards extracting as much profit a as possible from their work, and against whom they must fight for their very existence.

Working Hours

Dr. Kastl acknowledged that the principle of an eight hours day can be defended on hygienic and cultural grounds; but under existing circumstances it was primarily necessary to increase production and to reduce the cost of output. The average length of the working day had fallen from 8.85 hours in 1913 to 7.9 hours to-day. Moreover, the intensity of labour had decreased

considerably together with working hours. According to Dr. Kastl, it was now only from 70 to 75 per cent of the pre-war intensity.

Wages

On the subject of wages, Dr. Kastl pointed out that the theory whereby the wage corresponds to the requirements of the wage-earner, which was morally very beautiful, did not apply in the struggle which men and nations were waging for their very existence. It was economically necessary for the wage to depend on the value of the work done. The Trade Union system, as it existed in Germany, discouraged effort. Moreover, it widened the gulf between workers and employers; for the worker, in order to improve his standard of life, had no other alternative but to plung into class warfare.

Continuing his examination of the various factors in the cost of output, Dr. Kastl insisted on the heaviness of the "social" burdens borne by German economy. He estimated these charges at 2 milliard Reichsmarks to-day. In the existing state of German industry, this was an intolerable imposition. Social policy must take economic requirements into account.

Capitalists, like wage-earners, must grasp the extent of the present difficulties and restrict their demands accordingly. Nevertheless, the remuneration of capital was the indispensable condition of output of any kind, and on it depended to a large extent the formation of new capital.

Before the war, the deposits in Banks and Savings Banks totalled about 20 milliard RM. To-day the deposits in Savings Banks might be valued at from 2½ to 3 milliard marks and those

in Banks at from 5 to 6 milliards. The deposits in Banks consisted for the most part of the working capital of industry. The deposits in Savings Banks included the working capital of Communal associations; it would be a great mistake to think that these 2 1/2 to 3 milliard marks represented savings alone.

Finally, if it was remembered that Germany with the war had lost various sources of revenue, which had assisted her to balance her accounts (in particular, the milliard and a half brought in by her 30 milliard marks invested abroad), the necessity for forming new capital would be understood, especially as foreign credits (which now amounted to 2 or 3 milliards) were dear and dangerous, more particularly if they were short-dated.

Taxation.

There were many taxes which went to swell the cost of production. The burden of taxation was intolerable. Before the war, the expenditure of the Reich, the States and the Communes had amounted to 4.8 milliard marks; at present at least 11 milliard RM was required from taxation; this figure represented more than a third of the income of Germany.

In view of the fact that, as from the coming year, part of the Reparation Annuity had to be provided from the Budget, and that this Budget contribution would amount to 1 250 million RM in 1928, anxiety might well be felt as to where these sums could be found. "We must see to it that these payments to the funds of the Agent General are covered by corresponding reductions in expenditure".

Dr. Kastl keenly criticised the financial administration of the States and Communes. Not only the Reich, but also the States and Communes should be required to public Budgets which were comprehensible even to the lay mind and to adopt the same budgetary system as the Reich. In particular, the Communes should cease to emply current revenue for extraordinary expenditure. "I do not exaggerate when I say that in 1924 most of the proceeds from taxation were used to pay for the acquisition of real assets". Very many towns had purchased with their revenue electricity works, mines, hotels, majority holdings in companies, or even theatres and concert halls. Outlay of this kind had been justifiable before the war, but was no longer so to-day.

According to a statement submitted to the Budget Committee, Dr. Kastl continued, the Government estimated that from 1925 to 1930 the expenditure of the Reich would increase as follows:-

1925	1926	1927	1928	1929	1930
		(millions of RM)			
4 663	4 893	4 948	5 400	5 652	5 630

It was thus the intention of the Finance Minister to cover by means of economies only 1/3 of the supplementary expenditure incurred for Reparation payments. He should be required to cover such supplementary expenditure in full in this manner.

As from 1925, the expenditure on staff of the public services, including the Army, the Postal Service, the Railway and the States and Communes would amount to 8 136 million RM, as follows:-

a) Reich (General administration, including Army)	747 millions
b) States	2 334
c) Communes	1 500
	4 581

	Brought forward	4 581 millions
Pensions to persons wounded and mutilated during the War		1 199
		5 780 millions
d) Postal Service	980	
e) Railway	1 313	
f) Industrial undertakings of the States	63	
g) Expenditure on staff of Communal undertakings	?	
		2 356
	Total	8 136 millions

To this total, supplementary expenditure to the amount of 118 million marks must be added for the Railway.

The salaries and pensions of the staff of the public services thus absorbed more than 25 per cent of the national income.

Dr. Kastl pointed out that the services of the Reich, the States and the Communes frequently overlapped one another. He mentioned as an example the Ministry of Labour of the Reich and the Prussian Welfare Ministry (Wohlfahrtsministerium). Although the States no longer had to bear the cost of tax and Customs administration, the administrative machinery had grown larger. Prussia had in her service 83 000 officials more than before the war. In Bavaria the situation was the same, if not worse. The existence of the Schutzpolizei was not sufficient to account for this state of affairs.

Railway Rates.

Dr. Kastl complained that railway rates were too high.

The Railway Company had estimated the average increase in rates as compared with 1914 at 40 to 50 per cent. He did not deny the accuracy of this estimate, but for short journeys the increase was undoubtedly much greater. Moreover, numerous categories of goods had been classified at higher rates, with the result that in certain cases the increase was as much as 200 or 300 per cent.

Markets.

After discussing production, Dr. Kastl passed on to the question of markets. In his opinion, it was not sufficient to produce at prices which made it possible to sell: it was also necessary to find purchasers. The buying capacity of the world had considerably decreased as a result of the war. The total figure for international trade was only 140 milliard RM in 1924 as compared with 170 milliards in 1913 (a decrease of 18 per cent). The German share in these transactions, which was 12.3 per cent in 1913, was only 5.5 per cent in 1924.

On the other hand, in all the countries of the world, even in England, Protection was making progress. Germany, who recovered her freedom with regard to Customs on January 10, 1925, was obliged to protect herself to a certain extent.

Given the restriction of the world market, the possibilities of the home market should be used to their full extent, and might be considerably developed. For this purpose the buying capacity of the population should be developed, by increasing the net income, as opposed to the nominal income. Any increase in the latter would merely lead to Inflation.

The prosperity of industry depended on that of agriculture. German agriculture must therefore be rich. It was from this point of view that Dr. Kastl considered the question of agrarian Customs protection. He was in favour of such protection, provided that it was not prohibitive. But protection alone could not bring about increased production. It was at least as important to improve the conditions of production. The only object of agrarian duties was to give agriculture a period of stability which would be used for the realisation of a vast programme of improvements.

The realisation of such a programme would be of direct benefit to industry, which would profit immediately by any increase in the demand for agricultural machinery and fertilisers. At the present time there were in Germany 1 1/4 million agricultural exploitations of more than 5 hectares; half of these exploitations did not yet possess sowing machines. The industrial possibilities which would be opened up by the increased consumption of electric power in country districts should also be borne in mind. The agrarian question was the more vital for German industry as in the near future the prospects of the export trade were not as favourable as could be desired.

DRILLIEN.

From the French
Translated - BWS.
Checked - RB.

Ro.

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BERLIN, August 17, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE MINING INDUSTRY OF THE RUHR

A memorandum of the "Association of Mining Interests" of Essen.

The "Association of Mining Interests" of Essen (Verein für Bergbauliche Interessen) recently addressed a memorandum to the Chancellor of the Reich on the situation of the mining industry of the Ruhr, of which the following is an analysis:

The memorandum opens with considerations of a general nature on the state of the coal market of the world, and the economic situation of Germany.

There is at present a crisis on the coal market of the world, the end of which is by no means in sight. Although in nearly all the mining areas the possibilities of production have considerably increased, markets are not easy to find; and this is not merely a consequence of the industrial crisis. The position is more serious. The prospects of the mining industry are very bad. One of the chief causes of apprehension lies in the enormous increase in the producing capacity of North America and in the competition of mineral oils. These factors make themselves felt on the English market, and consequently on the German market also. The ruhr can only export at present at prices which are so low that it may well be asked if it would not be economically sounder to stop exporting coal from the Ruhr altogether.

Matters are still more unfavourable as regards the home market. Those who believe that matters will remedy themselves

are over sanguine. Germany lacks capital; and, for such credits as it can obtain, the German business world has to pay very high interest, a great part of which goes to foreign countries. Taxation is crushing, and the charges in respect of social relief are quite beyond the capacity of German economy to support. Working hours have been reduced. Those are the conditions with which the German commercial world has to contend in its struggle to regain a place on the world market.

These general considerations are followed by a detailed description of the situation in the mining industry of the Ruhr.

Output. The production of coal per working day fell from 378 614 tons in January 1925 to 331 855 tons in June 1925 (a reduction of 12⅓ per cent). The fall was more considerable still in the case of briquettes. In the case of coke, there was no appreciable falling off before June. The figures for the amount of coal sold were 320 497 tons per working day in January and only 284 947 tons in May. About the middle of last year stocks began to be accumulated. The mining undertakings were anxious to avoid exceptional measures (stoppage of work on certain days or complete cessation of activity in certain mines). They hoped that their many warnings would be listened to; but they were doomed to disappointment. At the end of July 1925, the stocks amounted in round figures to 9.4 million tons. It is impossible to work mines under conditions such as those.

In order to avoid having to close down, the mines had recourse to the expedient - it could only be a temporary one - of forcing sales in foreign countries and in parts of Germany where Ruhr coal competes with other coal. In order to achieve this, however, the coal had to be delivered at prices some 20 per cent (3 marks per ton) cheaper than the prices asked for Ruhr coal in parts of the country where it has no competition. Even without the cut of 20 per cent, the margin of profit is very slight; with it, there is a loss. Sales In Germany cannot, in fact, be made to compensate for losses on exports, and exports cannot in the long run be maintained at the cost of such heavy sacrifices.

The only remaining remedy was to reduce production by working fewer days a week. As this was not enough, they had to take more energetic measures (limitation of extraction to the best yards, concentration to obtain better profits, closing down of certain yards and even certain mines).

The output accordingly fell from 472 605 in January to 436 493 at the end of June. Other mines will no doubt have to close down. It may be estimated that, in view of the present sale possibilities on the one hand and the high return from labour on the other hand, the mines would be able to operate with a staff of 401 000. At the end of June, they were still employing 436 500 workmen. Dismissals of staff were, however, effected in July, so that the number of workmen employed is now 420 000, or only 19 000 above requirements.

In any case, the mines are obliged for financial reasons to sell their stocks and are bound, until they have got rid of their stocks, to cut down output by reductions of staff. Hence the dismissals announced for August (in the mines of the Rhein-Elbe Union 9 500; in the Rheinstahl mines 3 000; in the Rheinpreussen mines 800).

The thousands of miners, who have been dismissed by the mining concerns, have found employment up to now in the building industry; but, in spite of the zeal of the Communes to find work for the unemployed, the building industry cannot possibly absorb all the staff which the mines are throwing on the labour market. The position will be worse in the autumn, when building slackens.

Tax burdens.

The distress in the mining industry is rendered worse by the fact that the burden of taxation is heavier in the occupied territory than in the rest of Germany. If the taxes collected for the States and Communes in 1913 are compared with those collected in 1925, it will be found that there is an increase of 400 to 500 per cent. Whereas the total taxation per ton of coal produced was approximately 0.25 marks in 1913, it now amounts (1925) to 1 to 1.30 marks. Most of this is composed of Communal taxes, the Gemeindegewerbesteuer (Commercial Occupation Tax levied by the Communes) alone representing 45 per cent of the total. In a number of Communes in the industrial district of Rhenish Westphalia, the surtaxes on the so-called "Wages Tax" (workmen's Income Tax), collected by the Communes, represent 50 to 100 times the base taxation. At Recklinghausen-Stadt, the Wages Tax

represents 5 000 per cent of the base tax, or 5 per cent of the wages paid. In other Communes, the rates of this Tax are heavier still (in Westerholt 5 100 per cent and 5.1 per cent respectively; in Hordel, Horst-Emscher and Hervest 6 000 and 7 000 per cent, 6 and 7 per cent; in Waltrop and Werdenland 8 000 per cent and 8 per cent; in Bottrop, Gladbeck, Datteln and Heinrichenburg 9 000 per cent and 9 per cent; in Oer and Buer 10 000 per cent and 10 per cent).

It is not difficult to understand that the undertakings can only meet such heavy burdens of taxation by drawing upon their capital for the purpose.

Railway rates.

The policy of the Railway in the matter of rates is one of the causes of the lack of markets from which the Ruhr mines are suffering. The new tariff of freight charges (high rates for short distances and reduced rates for long distances) makes it possible for coal from Upper-Silesia to be sent to Hanover, Brunswick and Southern Germany. The demand of the mines for the re-establishment of special rates for the transport of coal to the land frontiers of the country, and also for a reduction in the rates for transhipment from barge to train or vice versa (Wasserumschlagstarife) has not yet been met.

The competition of lignite.

Coal has been ousted on some markets by lignite, the extraction of lignite being less expensive than that of coal.

Whereas during the first quarter of 1925 the output per miner per shift was 0.902 tons in the Ruhr, it amounted in the Rhenish lignite mines to 15.34 tons,

or 17 times more. The social charges are not so heavy in the lignite basins as in the coal basins. In 1924, they amounted to 2.16 marks per ton of lignite extracted in the Ruhr. In the Rhenish lignite basin, they only amounted to 0.67 marks per 4.5 tons of effective production (that is to say, the equivalent in calories of a ton of black coal).

Social charges. The memorandum deals at length with the question of social charges. The contributions to the miner's Insurance (Knappschaftliche Versicherung) are compared in the following table with the corresponding figures for 1913:

	1913 (in marks)	1925 (April)
per shift	0.47	1.36
per ton of coal sold	0.57	1.84
per worker per year	155	413
per 100 marks wages	8.46	19.94

The expenditure incurred for social insurance at present exceed 200 million marks a year. To this sum, 10 to 13 million marks should be added for insurance against unemployment and other charges.

Prices of coal. According to the memorandum, there can be no question of improving markets by lowering prices. 15 marks per ton may be taken as the average price of coal (average over the various qualities): if anything, it is an over estimate of this price; 11.05 marks must be reckoned (in June 1925) for costs of production in the limited sense (wages - including the employers

contribution to social insurance - and salaries), leaving only 3.95 marks to cover all the other factors which go to make up the cost price (material, taxes, interest and general expenditure). This is obviously quite insufficient: and there is not much doubt that by far the greater number of mines are working at a loss.

Working hours. The memorandum then deals with the question of increasing the working hours. The mine owners say they are confident that an increase in working hours would enable them to increase output, which again would bring down cost prices. They admit that an increase in working hours would involve fresh dismissals of staff; but "the kernel of the problem" now is to reduce general expenditure. Increase of working hours would enable them to re-arrange their production and to place orders with other industries. The miners could then be employed in the manufacturing industries. In this way, they argue that the re-establishment of pre-war working hours is the surest means of checking unemployment and improving the position of the German markets.

In conclusion, they say that "the Dawes Plan is founded on the assumption that Germany is working on the same economic basis as before the war". Before giving their assent to the London Agreements, the leaders of the German business world emphasized again and again the fact that the execution of the Dawes Plan pre-supposed the realisation of certain conditions, failing which Germany would not be able to bear such enormous burdens. "After September 1st, Germany

will have to meet her liabilities under the Plan from her own resources. For weighty reasons of internal and external policy, labour must immediately be required to give as great a yield as before the war".

The mine owners ask the Ministry of Economic Affairs to support their claims, which they sum up as follows reduction of taxation and transport rates for raw materials, reduction of social charges to within tolerable limits, re-establishment of pre-war working hours, and the suppression of obligatory arbitration.

From the French
Translated - NL
Checked - RB
RG.

I.I.9.331 Doc.123

BERLIN, August 20, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE MOVEMENT OF FUNDS AT THE REICHSHAUPTKASSE DURING THE MONTH OF JULY 1925.

(see Doc. No. III.)

The receipts and payments of the Reichshauptkasse for the month of July 1925 amount to the following figures :

Receipts.....	692.7	million	R.M.
Payments.....	622.8	-	-
Surplus of receipts.....	69.9	-	-

The surplus of receipts since the beginning of the financial year amounts to : 24.8 million R.M.

I. RECEIPTS.

The receipts for July are composed of

(a) Receipts from taxation collected during the month,		713.6
minus receipts from controlled revenues for the month of July, not yet retransferred to the Reichshauptkasse.....	-	174.3
plus receipts from controlled revenues for the month of June, retransferred to the Reichshauptkasse in July.....	+	150.3
or a total of..		689.6
(b) Administrative receipts of Government Departments collected during the month of July...		3.1
Total receipts.		692.7

II. PAYMENTS.

The payments are made up as follows:

(a) General administrative expenditure (including expenses in connection with the execution of the Peace Treaty)	405.7	million RM.
(b) Transfer of taxes to the States and Communes	224.1	" "
Total payments	629.8	" "

The following additional explanations are given with the table published in the Reichsanzeiger:

"The surplus of 62.9 million RM is to be accounted for by the new system of anticipatory payments for Income Tax and Corporation Tax, inaugurated by the Law governing Taxation in the Transitional Period (Steueruberleitungsgesetz), that is to say, substitution since the month of June of quarterly payments for monthly payments. Most of the proceeds from these two taxes will be transferred to the States and Communes: the transfer will be carried out in August".

M.H.

From the French
Translated - GHL
Checked - RB
Ro.

Doc. 125.

RECEIPTS AND PAYMENTS OF THE REICHSHAUPTKASSE SINCE APRIL 1, 1925.

(in millions of Reichsmarks)

RECEIPTS.

		Receipts from taxation.	Administrative receipts of Govt. Depts.	Total.
1925.	April.....	651.9	16.4	668.3
	May.....	618.3	11.4	629.7
	June.....	543.8	3.1	546.9
	July.....	689.6	3.1	692.7
	Total	2 503.6	34.0	2 537.6

PAYMENTS.

		General administrative payments.	Transfers to the States and Communes.	Total.
1925.	April.....	415.7	234.0	649.7
	May.....	408.8	238.2	647.0
	June.....	362.2	224.1	586.3
	July.....	405.7	224.1	629.8
	Total	1 592.4	920.4	2 512.8

SURPLUS (+) or DEFICIT (-)

1925.	April.....	+ 18.6
	May.....	- 17.3
	June.....	- 39.4
	July.....	+ 62.9
	Total.	+ 24.8

From the French.
Translated - GHL.
Checked - RB.
Ro.

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TRANSFER COMMITTEE

ECONOMIC SERVICE

THE DEBTS OF GERMAN AGRICULTURE BEFORE THE WAR AND NOW.

Inquiry by the Landwirtschaftsrat.(1)

The German Agricultural Council (Landwirtschaftsrat), the central Council of the various official or semi-official organisations representing the agricultural interest in the several German States, has just completed an inquiry on the indebtedness of German agriculture.

This inquiry, of which we resume the results below, was made with the help of the Chambers of Commerce of the States and Provinces. The necessary particulars were collected by specially appointed persons (Land Register Officials, professors of Agriculture etc) from the agriculturalists themselves.

The results obtained relate to about 1 500 concerns throughout Germany with the exception of Bavaria and Hesse. These 1 500 concerns represent an area of only 112 500 hectares and in view of the smallness of this figure as compared with the total area under cultivation in Germany (30 million hectares), and the unofficial character of the inquiry, the figures should be accepted with every reserve.

Rates of interest charged to German agriculture before the war and in 1925 (May 1).

The Council has drawn up the following Table, in which it compares the rates of interest borne by the 1 500 concerns in

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(1) Mitteilungen der Preisberichtstelle beim deutschen Landwirtschaftsrat (Publications of the Market-report Service of the German Agricultural Council) Nos.27, 29 and 32.

question before the war and in 1925 (May 1). The interest to be paid for revalorised mortgages has been calculated at 5 per cent(2) on a principal revalorised at 25 per cent of its pre-war gold value.

The Council has adopted a rate of 15 per cent for the interest on personal debts (loans) and an average rate of 12 per cent (to allow for falls in the value of mortgage bonds and for commissions) for debts represented by "gold" or "rye" bonds.

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(2) The Law on the revalorisation of mortgages had not been voted when the Council compiled these figures. This Law fixed the interest on revalorisable mortgages for 1925 at an average rate of 1.85 per cent instead of 5 per cent. The figures of the Council should therefore be reduced to correspond.

District	Number of concerns	Area in hectares	Rates of interest		
			before the war in RM. per hectare	in 1925 in R.M. per hectare	Increase since the war
East Prussia	130	20,635	25,70	40,80	100 : 158
Pomerania	41	15,695	13,10	39,20	100 : 300
The Border March (Grenzmark)	30	4,273	17,10	32,00	100 : 187
Silesia	101	22,738	23,10	42,70	100 : 185
Brandenburg	115	5,292	19,30	36,50	100 : 190
Saxony (Prussian Province of)	52	3,977	49,30	60,10	100 : 122
Schleswig-Holstein	32	1,627	21,20	42,30	100 : 200
Hanover	27	1,005	16,60	30,10	100 : 182
Westphalia	90	6,140	3,00	11,50	100 : 385
Rhineland	16	1,090	17,60	25,50	100 : 145
Cassel	101	5,559	9,20	26,00	100 : 283
Weisbaden	198	1,414	13,90	48,00	100 : 346
Saxony (State of)	63	5,270	46,40	42,20	100 : 91
Thuringia	30	895	26,40	46,80	100 : 177
Brunswick	47	2,480	25,10	53,30	100 : 212
Lippe-Detmold	48	2,987	15,60	28,20	100 : 181
Oldenburg	124	6,079	7,70	22,60	100 : 295
Mecklenburg-Schwerin	14	6,336	11,60	23,90	100 : 206
Wurtemburg	73	2,145	9,20	18,80	100 : 204
Baden	180	2,223	31,70	32,30	100 : 102

The inquiry would thus appear to show that the interest charged to agriculture is much heavier now than before the war.

For 8 districts the interest charge was composed as follows:

District	Service of revalorised mortgages	New mortgages or land debts (RM, fine gold, rye, etc)	Bills	Other personal debts	Rentenbank	Total
	in RM. per hectare					
East Prussia	6,2	14.6	9.7	7.6	2,5	40.6
Pomerania	4.6	14.7	12.2	4.9	2.8	39.2
The Border March (Grenzmark)	2.6	17.0	8.0	2.2	2.0	32.0
Saxony (Prussian Province of)	9.8	27.3	3.7	13.2	6.1	60.1
Thuringia	3.3	17.6	14.1	6.2	5.6	46.8
Detmold	3.1	4.2	12.3	5.4	3.2	28.2
Wurtemburg	0.2	2.1	4.4	10.3	1.8	18.8
Baden	2.9	9.4	11.2	3.0	5.8	32.3

According to these figures, the service of new mortgages and bills accounts for the greater part of the interest paid by agriculture.

The following Table compares the principal of the pre-war mortgage debt, the amount of the revalorisable mortgages, the debt represented by bills and the debt to the Rentenbank.

District	Mortgage debts		Percentage of Col.2 to Col.1	Bill debts	Debt to the Rentenbank
	Pre-war	reval-oris-able			
	Col. 1	Col.2	Col.3	Col.4	Col.5
East Prussia	654	452	69	56	56
Pomerania	368	360	97	92	44
The Border March (Grenzmark)	442	294	67	53	38
Silesia	542	475	88	64	68
Brandenburg	426	332	78	57	68
Saxony (Prussian Province of)	1154	683	59	56	126
Schleswig-Holstein	334	160	48	91	84
Hanover	331	234	71	21	96
Westphalia	67	34	51	35	58
Rhineland	356	50	14	71	144
Cassel	262	155	59	74	90
Wiesbaden	234	121	52	166	132
Saxony(State of)	1100	877	80	72	108
Thuringia	575	148	26	107	114
Brunswick	551	218	40	79	108
Lippe-Detmold	581	426	73	71	108
Oldenburg	181	123	68	18	72
Mecklenburg-Schwerin	504	467	93	72	64
Wurtemberg	254	29	12	42	74
Baden	539	235	44	62	116

The upshot of the Council's inquiry is that the amount of revalorisable mortgages would appear to be much greater than had been generally supposed.

From the French
Translated - JMP
Checked - RB
GS.

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TRANSFER COMMITTEE

ECONOMIC SERVICE

THE CIRCULATION OF BILLS IN GERMANY.

(Summary of an article in the Frankfurter Zeitung of July 4, 1925)

It is possible to follow the variations in the circulation of bills with the help of the statistics for the returns from stamp duty on bills of exchange (Wechselstempel).

In view of the fact that the pre-war stamp duty of 0.5 per thousand was raised to 2 per thousand in July 1923, the following table may be drawn up :

R.M.	Returns from stamp duty	Total amount of bills calculated on the basis of stamp duty collected
1913 (monthly average)	M. 1 711 700	M. 3 423 400 000
1924	R.M.	R.M.
January	3 849 730	1 924 865 000
February	3 437 525	1 718 762 000
March	4 879 406	2 439 703 000
April	4 669 744	2 334 872 000
May	5 020 225	2 510 112 000
June	4 669 152	2 334 576 000
July	4 974 812	2 487 406 000
August	5 068 914	2 524 457 000
September	5 534 728	2 767 364 000
October	6 152 691	3 076 345 000
November	6 067 046	3 033 523 000
December	6 592 024	3 296 012 000
1925		
January	6 717 029	3 358 514 000
February	6 641 034	3 320 517 000
March	7 539 007	3 769 504 000
April	6 934 338	3 467 169 000
May	7 492 275	3 746 138 000
June	7 773 146	3 886 573 000

The average term of the bills which, at the beginning of 1925, did not exceed from 50 to 60 days, is now, according to the Reichsbank, about 90 days. Consequently, whereas at the beginning of 1925, the circulation did not exceed twice the monthly amount of bills taxed, at present it cannot be far from reaching thrice that amount.

The Frankfurter Zeitung thinks it is safe to estimate the circulation of Bills for May 1925 at RM 7 milliards.

This figure is still considerably lower than the pre-war figure of RM 10 to 12 milliards.

G.D.

From the French
Translated - JHP
Checked - RB
DR.

I.I.C.4133 Doc. 126.

Berlin, Aug.21, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE.

THE RETURN OF THE RENTENBANK AS AT JULY 31, 1925.

(see Document 112).

The following is the comparison between the balance-sheet of the Rentenbank as at July 31, 1925 and the balance-sheet as at June 30, 1925.

	Return as at July 31, 1925.	Difference (+ or -)as compared with return of June 30, 1925.
ASSETS.		
Charges on German economy.	2 000 000 000 (1)	-
Amount of Rentenbriefe as at March 31, 1925, RM 1 999 844 000 April 30 " " 1 999 844 000		
Loans to the Reich	1 111 208 819.58	- 19 780 535.09
Outstanding credits	780 334 583.57	-
Cash in hand: Giro assets, Postal cheques and Bank assets	243 473 586.24	+ 5 967 444.90
Office supplies and furniture	97 497.46	+ 310
Miscellaneous assets	-	-
LIABILITIES.		
Capital	2 000 000 000 (1)	-
Rentenbank notes in circulation	1 835 778 888	- 19 780 535
Rentenbriefe in circulation	156 000	-
Redemption of Rentenmarks in accordance with § 7c of the Law on the Liquidation of Rentenbank Notes.	55 608 514.68	-
Miscellaneous liabilities (interest due on Rentenbriefe)	2 112.50	- 1 650

(1) In conformity with § 7a of the Law on the Liquidation of Rentenbank Notes 3 113 867.89 Rentenmarks, representing interest paid by the mortgagors, have been paid into the Sinking Fund instituted at the Reichsbank. In conformity with § 7b the quarterly instalment of 15 000 000, due on July 1 was paid in to the same fund, as well as the balance of the January instalment of 1 666 666.67 Rentenmarks.

The Loans to the Reich and the circulation of Rentenmark notes have fallen by the same amount.

Since the coming into force of the Law on the Liquidation of Rentenbank Notes, there have been paid into the Sinking Fund:

43 791 180.42	Rentenmarks,	in execution of §	7a of the Law
45 000 000	"	" §	7b "
55 608 514.68	"	" §	7c "
100 000 000	"	" §	11 "
Total 244 399 695.10	Rentenmarks.		

From the French
Translated - JMP
Checked - RB
Ro.

Confidential

Not for Publication or Quotation.

I.I.9.36161 a.- Doc. 127.

Berlin, August 26, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

LAW

OF JULY 9, 1925

ON FOREIGN BORROWING BY COMMUNES

(from Preussische Gesetzsammlung No. 19 of July 18, 1925)

The Diet has passed the following Law:

§ 1.

(1) Communes and Communal Associations desiring to borrow abroad require the assent of the Supervisory authority for such borrowing to be legally valid. By borrowing is understood, not the issue of Loans, but the contracting of purely provisional credit to be covered out of ordinary revenue.

(2) The same applies to clearing (Giro) associations and their Banks, where the foreign credits are to go to States, Communes or Communal Associations.

§ 2.

For the taking up of guarantees and the provision of security for foreign borrowing by third parties, the public bodies indicated in § 1 paragraph 1 shall require the assent of the Supervisory authority, unless under existing law the assent of some other Office

is already required.

§ 3.

The guiding lines agreed upon between the Government of the Reich and the States for foreign borrowing by States, Communes and Communal Associations shall be binding equally, so long as the said Agreement is in force, upon the authorities empowered to contract the liability.

§ 4.

The present Law shall come into force on the date of its promulgation.

§ 5.

The Ministry of State is empowered to declare the cessation of the validity of the present Law.

The above Law, having been passed by the Diet, is hereby promulgated. The constitutional rights of the Council of State have been observed.

Berlin, July 9, 1925.

THE PRUSSIAN MINISTRY OF STATE

(Seal) BRAUN SEVERING.

From the German
Translated - JMP
Checked - RB.

Not for Publication or Quotation.

a. - Doc. 128

Confidential.

I.I.9.42. Berlin, August 29, 1925.

TRANSFER COMMITTEE.

ECONOMIC SERVICE.

THE GERMAN MORTGAGE BANKS BEFORE THE WAR AND NOW.

1. Before the war there were in Germany thirty-nine Mortgage Banks. Eight of these have been merged with other banks or have disappeared, while four new institutes have been founded so that the number of German Mortgage Banks is now thirty-five.

In 1913, the thirty-nine Mortgage Banks then existing held mortgages aggregating roughly 11 milliard Marks.

According to the returns published by them as at June 30, 1925, the thirty-five Mortgage Banks now in operation held as at that date mortgages to the amount of RM 600 millions (not including of course former paper-mark mortgages).

The names and locations of these thirty-five banks are as follows. It will be noted that twenty-two are associated together in four Konzerns or groups:

"Gemeinschaftsgruppe ".

Deutsche Hypothekenbank, Meiningen.
Frankfurter Pfandbriefbank, Francfort.
Leipziger Hypothekenbank, Leipzig.
Norddeutsche Grundkreditbank, Weimar.
Preussische Bodenkreditaktienbank, Berlin.
Schlesische Bodenkreditaktienbank, Breslau.
Westdeutsche Bodenkreditanstalt, Cologne.
Mecklemburgische Hypotheken- und Wechselbank.

" Deutsche Zentralbodenvereinigung "

Preussische Zentralbodenkredit A.G., Berlin.
Deutsche Grundkreditbank, Gotha.
Rheinisch- Westfälische Bodenkreditbank, Cologne.
Braunschweig- Hannowersche Hypothekenbank, Brunswick.

" Arbeitsgemeinschaft Süddeutsche Hypothekenbanken "

Bayerische Hypotheken- und Wechselbank, Munich.
Frankfurter Hypoyhekenbank, Francfort.
Pfälzische Hypothekenbank, Ludwigshafen.
Rheinische Hypothekenbank, Mannheim.
Süddeutsche Bodenkreditbank, Munich.
Wurttembergische Hypothekenbank, Stuttgart.
Suddeutsche Festwertbank, Stuttgart.

" Konzern " of the " Bayerische Vereinsbank."

Bayerische Vereinsbank, Munich.
Bayerische Handelsbank, Munich.
Vereinsbank, Nüremberg.

Other Banks.

Hypothekenbank, Hamburg.
Preussische Pfandbriefbank, Berlin.
Preussische Hypotheken-Aktienbank, Berlin.
Hannoversche Bodenkreditbank, Hildesheim.
Sächsische Bodenkreditanstalt, Dresde.
Deutsche Hypothekenbank, Berlin.
Berliner Hypothekenbank, Berlin.
Bayerische Bodenkreditanstalt, Würzburg.
Mecklemburg-Strelitz Hypothekenbank, Neustrelitz.
Mitteldeutsche Bodenkreditanstalt, Greiz.
Roggenrentenbank, Berlin.
Württembergischer Kreditverein.
Deutsche Genossenschafts- Hypothekenbank.

II. The German Mortgage Banks before the War.

Before the war, the Mortgage Banks held an important, though not a predominant, position on the real estate credit market in Germany. At the end on 1913, they held about one-sixth of all mortgages on immovable property in Germany. A few particulars taken from the German Government's memorandum on the revalorisation of paper mark credits will be found below.

Mortgages held by	Total of mortgages held at the end of 1913
Mortgage Banks	11.4 milliard Marks
Savings Banks	13.0 " "
Old Age Insurance Companies	0.6 " "
Other Insurance Companies	7.7 " "
Landschaften, Stadtschaften, etc.	7.0 " "
	39,7 milliard Marks

Mortgages contracted between private persons from 19 to 27 milliard Marks.

In the last years preceding the war however the rate of increase in the holdings of mortgages by the Mortgage Banks was extremely slow. The real estate credit market was steadily passing under the sway of the Insurance Companies and the Savings Banks.

Excess of new loans over repayments.

(Urban mortgages only)

	1909	1910	1911	1912	1913
	(millions of marks)				
Mortgage Banks	523.3	462.7	512.3	205.0	1.0
Insurance Companies	326.4	374.3	592.6	367.4	309.8
Prussian Savings Banks	309.9	363.1	386.3	471.6	462.5

The Mortgage Banks were chiefly interested in urban house property. It was only in the States of South Germany, and in Bavaria in particular, that they occupied a prominent position in the agricultural mortgage market. Otherwise, the agricultural mortgage business transacted by them was quite insignificant in

comparison with that of the Landschaften, Landeskreditanstalten (1) and other similar institutions established under Public Law. The total holding of urban mortgages by the German Mortgage Banks was about fifteen times larger than their holding of agricultural mortgages.

III. The Mortgage Banks during the War and the Inflation period.

The War paralysed the business of the Mortgage Banks. The competition of the State loans was a serious handicap to investments. Further, the demand for mortgage loans vanished almost entirely with the cessation of building. Up to 1917 accordingly the business of the Mortgage Banks was restricted substantially to the administration of their old mortgages. From 1917 onwards there was a small revival of business with the communes (communal loans, issue of communal bonds). Operations were once more arrested by inflation and it was only in 1920, after the denomination of mortgages in foreign currency had been legalised, that there was any noteworthy resumption of business by the Mortgage Banks.

IV. Position of the Mortgage Banks subsequent to the currency reform.

The German Mortgage Banks were particularly hard hit by inflation. The Law, for instance, withheld from them the right, of which the other banks and branches of the economic system made use, to purchase "real" values and so avoid the effects of currency depreciation. Their holding of scrip, which in many cases constituted the bulk of their net personal capital, was mainly composed of State bonds which have become almost entirely worthless.

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(1) Corporations or associations established under Public Law, in which the landowners of a district combine for the purpose of contracting loans guaranteed by mortgages against the issue of mortgage bonds (Pfandbriefe). The mortgage security must consist exclusively of lands of an agricultural character.

The principal items on the balance-sheets of the German Mortgage Banks as on December 31, 1913, January 1, 1924 (first gold balance-sheet) December 31, 1924 and June 30, 1925 are shown in the accompanying table.

It will be recollected that under the Third Steuernot-verordnung (Emergency Tax Decree) the Mortgage Banks have to pay into a separately administered "fund for distribution" (Teilungsmasse) all sums accruing from the revalorisation of paper mark (Registerhypotheken (i.e., mortgages constituting security for mortgage bonds in circulation). This fund is to be distributed among the bondholders. The figures published by the Banks with regard to this fund are not of any great value, as they are purely provisional, the final settlement of the revalorisation question being still outstanding at the time when they were compiled

The capital held by the thirty-one institutions that have survived the War dwindled from 713.4 million Marks in 1913 to 149.81 million Marks in 1924, while their reserves declined from 241.81 million Marks to 32.33 million Marks. These figures are sufficient testimony of the losses sustained by the Mortgage Banks as a result of inflation. It should however be noted that the Revalorisation Bill, which has just been voted by the Reichstag and increases the rate for the revalorisation of mortgage loans to 25 per cent instead of 15 per cent, as originally proposed, will effect an appreciable improvement in the figures given above. The majority of the Mortgage Banks are known to hold in their portfolios bonds issued by themselves, so that the increase in the revalorisation rate will benefit them directly.

The accompanying table shows, side by side with the amount of mortgages and mortgage bonds in 1913, the amount of mortgages held by the Banks on January 1, 1924, December 31, 1924 and

June 30, 1925 (exclusive of course of mortgages included in the "fund for distribution").

V. Operations of the Mortgage Banks in 1924.

The attached table shows that advances by the Mortgage Banks to private individuals rose by about 260 million Marks in 1924 (including approximately 86 millions representing rye-loans), while their advances to the communes increased by 16 million marks (including 1.7 millions for rye-loans). They were accordingly able to supply the economic market with new capital amounting in all to about 275 million Marks in the shape of mortgage loans.

In 1924 then the German Mortgage Banks transacted a considerably greater volume of business than in 1913, in which year their loan business remained practically stationary. This result is due to the preference shown by the public for mortgage bonds, a preference which is partly accounted for by the uncertainty still existing in the market for dividend bearing scrip and partly by the high rate of interest borne by mortgage bonds. It should be added that in 1924 the business transacted on the real estate credit market by the two chief pre-War rivals of the Mortgage Banks, the Savings Banks and the Insurance Companies, was quite insignificant.

VI. Business transacted by the Mortgage Banks since the beginning of 1925.

During the first half year of 1925, the Mortgage Banks displayed considerable activity and owing to the general shortage of capital there is still a great demand for mortgage loans. The sales of bonds on the market were profitable on the whole, although more difficult during the second quarter than during the first, as a result of the substantial fall in the prices of fixed-interest securities. According to the returns published by the Banks under date of June 30, 1925, the circulation of mortgage bonds amounted as at that date to approximately RM. 580 millions as against RM 300 millions as at January 1, 1924 (that is, an increase of RM 280 millions).

Balance sheet items		Total	Gemeinschafts-gruppe	Deutsche Zentral-boden ver-einigung	Arbeitsge-meinschaft süddeutscher Hypotheken-banken	Konzern of the Bayerische Vereinsbank	Other Banks
			(In millions of R. M.)				
Capital	1913:	713.40	145.60	92	173	116.50	186.30
	1925:	159.817	42.17	17.33	52.817	17.70	29.80
Reserve	1913:	241.81	46.47	17.31	85.02	38.71	54.30
	1925:	32.766	4.204	5.21	12.017	7.53	3.805
Mortgages	1913:	11,174.08	2,480,45	1,661.14	3,510.29	1,228.37	2,293.83
	1.1.24	73.16	20.26	10.86	1.04	3.18	37.82
	31.12.24:	336.16	31.98	52.35	18.76	25.85	207.22
		(I)					(I)
	30.6.25	595.85	101.51	87.07	72.28	57.42	277.57
Mortgage Bonds	1913	10,646.80	2,345.78	1,597.17	3,373.60	1,198.16	2,132.09
	1.1.24:	73.16	20.26	10.86	1.04	3.18	37.82
	31.12.24	301.84	31.65	51.04	18.87	24.71	175.57
		(I)					(I)
	30.6.25	581.93	98.19	84.16	69.59	54.83	275.16
Communal loans	1913:	426.65	16	185.65	34.09	17.22	175.71
	1.1.24	40 78	31.64	3.71	5.43	-	-
	31.12.24:	56.92	42.18	9.45	5.29	-	-
Communal bonds	1913:	398.21	11.86	179.14	24.07	14.98	168.16
	1.1.24	40.75	31.64	3.71	5.40	-	-
	31.12.24:	56.79	42.10	9.43	5.26	-	-

(I) The figures for the Mecklemburg-Strelitz-Hypothekenbank are wanting.

I.I. 9. 511 Doc No. 129

BERLIN, August 31, 192[illegible].

TRANSFER COMMITTEE

ECONOMIC SERVICE.

THE POSITION OF THE MINING INDUSTRY IN THE RUHR.

MEMORANDUM FROM THE MINERS UNION OF ESSEN.

A summary was given in Doc. No. 122 of the memorandum which the "Association of Mining Interests" of Essen recently addressed to the Chancellor of the Reich. In reply to this memorandum, which represented the views of the owners, the "Union of German Miners" of Bochum (Verband der Bergarbeiter Deutschlands) has drawn up a counter-memorandum, which has also been addressed to the Chancellor, and a summary of which is given below:

The miners agree with their employers as to the causes underlying the present crisis. Their only regret is that the international mining industry has not succeeded in avoiding the crisis by adapting itself more rapidly to entirely fresh market conditions.

duction. According to the miners, the mine owners' account of the development of production in the Ruhr gives a wrong impression of the situation. That account covers only the last few months, and therefore does not make allowance for the consistent increase in the production of coal since the war. During the first six months of 1925, the coal production in the Ruhr exceeded the corresponding production in 1919 by 45%

(the increase is in fact 52.3 %, taking only the first quarters of these two years). The production in January 1925 was higher than the corresponding pre-war production. Similar deductions can be drawn from an examination of the total production per grade, or the production per grade and per miner. In May 1925, the production per grade and per miner reached 908 Kg., or 97.22 % of the pre-war figure. It may also be added that in the opinion of the mine owners themselves the output has in all probability increased during the last few months. Taking only pickers and trolley-men, that is to say, workmen immediately employed in the extraction of coal, the figures are even more striking: the production exceeds the peace time production by 3.56 %. It can therefore be stated without any hesitation that the mining industry in the Ruhr is not suffering from an inadequate return from labour.

Taxation charges. The miners do not accept the figure of 1 - 1.50 RM, given by the mine owners, as representing the amount of taxation per ton of coal extracted. They point out that at the end of 1924, as the result of an enquiry by the Ministry of Economic Affairs, a charge of 37 Pf. per ton of coal sold was arrived at. The Reichskohlenrat (German Coal Board), in its report on the elements which went to make up the sale price of Ruhr coal, drawn up between July 1924 and January 1925, considers this figure to be approximately correct.

Social charges. With regard to social charges, the Miners Union on the strength of official figures asserts that contributions by employers towards mining insurance (knappschaftliche Versicherung) only amounted to 66 Pf. per category during the first

quarter of 1925. The social charges borne by the employers are therefore very much less burdensome than they have given to understand. Their attacks on social insurance are not justified. If there were not some guarantee for the miners against destitution, the output from their labour could not be what it is.

The miners state that the figures published by the mine owners on that part of the sale price of coal which represents wages, are based on pure assumption. To these figures (I), they produce the following counter figures (II) :

Estimate (for July 1925)	Average sale price	Wages	Employers' contribution to social insurance	Wages of employees	Total expenses for personnel.	Proportion of expenses for personnel and sale price in %.
	per ton produced in R.M.					
I.....	15.00	8.92	1.06	1.07	11.05	73.67
II.....	15.75	8.45	0.98	0.88	10.31	65.76

Hours of work. The mine owners, in their memorandum, requested that the pre-war hours of work should again be put into force. Against this proposal, the miners argue that in no country in the world are the working hours of workers below the surface longer than those of the miners in the Ruhr. (Upper Silesia and the Aix-la-Chapelle basin are exceptions; but will cease to be so shortly). The production in the Ruhr per grade of coal is only a few kilograms less than the corresponding British

production.

The mine owners assert that they can only export coal at a loss; that remains to be seen, reply the miners. In any case, negotiations should be opened with all countries interested in the world market for coal. The miners demand to be represented at these discussions. The miners of the Ruhr request the Reich and the Prussian Government to use every endeavour to exercise some control over the steps taken by the mines to reduce their production (non-working days, stoppage of work in certain mines...). Their contention is that the possibilities of increasing conditions of production in the Ruhr are far from being exhausted. Experts have proved that it would be simple to effect economies, which in certain cases would allow of the sale prices being reduced by 20 %. In any case, however, no increase whatever in the hours of work can be contemplated. Whereas during the first quarter of 1925, the output of pickers and trolley men per grade of coal reached 102.28 % of the pre-war figure, the actual wages of these workmen only represent 85.67 % of the 1913 figure. Under these conditions, a decrease in the actual wage would mean a reduction in the working capacity of the miners.

In conclusion, the Miners Union is convinced that the methods envisaged by the mine owners are not of a kind to solve the mining crisis. Above all things, production must be adapted to reduced requirements. To this end the miners request that the Government order a plan of re-organisation to be drawn up by experts. The mines must be con-

pelled to carry out this programme either by law, or by contract (for example, by offering them credits in exchange). The miners further demand that workmen or employees who are dismissed should receive some compensation; that the migration of dismissed workmen to other employment should be systematically organised; and that statistics of the sale prices for the whole mining industry should be prepared.

From the French
Translated - GL
Checked - MB
AA

11.9.3121 Doc.No.130

BERLIN, September 10,1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

TAX RECEIPTS OF THE REICH.

for the month of July 1925.

(see Doc. No.117)

Below will be found the figures for receipts from the principal categories of taxation for the month of July 1925, as well as for the preceding months and quarter.(1)

	Estimated Receipts	Receipts collected.				
		Monthly averages				
	Fin.Yr. 1925-26	Fin.Yr. 1924-25	1st Qr. Fin.Yr. 1925-26	June 1925	July 1925	From Apl. 1,1925 to July 31, 1925.
		(In millions of R.M.)				
I. Taxes on income, sales, transports, etc.						
a) recurring	388.6	473.8	451.7	398.5	528.6	1 883.7
b) non-recurring	5.5	6.6	5.8	2.4	2.7	20.0
II. Customs and taxes on beer, tobacco, etc.						
c) assigned	118.8	119.0	140.0	150.3	174.4	594.6
d) other.	7.4	10.2	10.7	10.2	7.9	40.0
I. Miscellaneous	-	0.6	0.2	0.1	-	0.3
I. Estimated surplus	8.3					
Total ...	528.6	610.2	608.4	561.3	713.6	2 538.6

(1) Reichsanzeiger No.194.

The figures for the estimate of receipts for the financial year 1925 - 26 which are given above, have been published in the Reichsanzeiger (1) (table of receipts collected during the month of July). The estimates are in respect of the new draft budget. The first draft submitted merely gave the estimated receipts from taxation for the financial year 1924-1925.

In the new estimates there is an item on the receipt side of RM 100 millions for the financial year (or 8.33 millions a month), under the heading of "Surpluses on taxes, dues and customs less transfers to the States."

The figures given for receipts collected during the financial year 1924-1925 are revised figures. They were recently given in the Reichsanzeiger No 195 of August 21,1925.

Compared to the June receipts, the receipts from recurring taxes on income, sales and transports show a substantial increase. The details are given in the following table.

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(1) Reichsanzeiger No 194

These figures had already appeared in the Press (Vossische Zeitung of August 5,1925). The only difference is in respect of 10 millions in the estimate of the customs receipts (RM 365 millions for the financial year, according to the Vossische Zeitung, and 356 millions according to the Reichsanzeiger).

	Estimated receipts.	Receipts collected.				
		Monthly averages				
	Fin.Yr. 1925-26	Fin.Yr. 1924-25	1st.Qr. Fin.Yr. 1925-26	June 1925	July 1925	From Apr.1.1925 to July 31,1925.
		(In millions of R.M.)				
Income Tax.						
a) on wages		111.0	131.7	132.0	119.2	514.3
b) on income from capital.		1.6	13.1	13.6	9.9	49.3
c) on other forms of income.		71.8	63.8	32.1	131.4	322.7
Together.	141.7	184.4	208.6	177.7	260.5	886.3
Corporation Tax.	25.0	26.2	18.2	7.8	29.8	84.4
Tax on Real and Personal Property.	41.7	41.6	22.3	13.7	7.0	74.1
Turnover Tax.						
a) ordinary	115.0	149.0	123.6	117.7	145.7	516.4
b) extraordinary (luxury)	10.0	9.1	9.2	8.9	8.8	36.4
Tax on Bourse Transactions	8.0	9.4	4.8	4.3	4.7	19.3
Transport Tax	23.5	26.1	27.1	28.7	31.0	112.2
Other Taxes	23.7	28.0	37.9	39.5	41.1	154.6
Total...	388.6	473.8	451.7	398.3	528.6	1883.7

The increase in the July receipts is due to the fact that the anticipatory payments in respect of Income Tax and Corporation Tax, which are in future payable quarterly, fell due this month.

As has already been stated, only two anticipatory payments in respect of the Tax on Real and Personal Property will be made during the year 1925, one on February 15,1925 and the other on November 15, 1925, each payment being equivalent to one quarter of the tax fixed for the year 1924 (Law on the Tax on Real and Personal Property of August 10,1924.)

Receipts from the Turnover Tax show a periodical increase every quarter, in January, June, July etc., through the fact that the Turnover Tax falls due for payment for certain categories of tax-payers.

The following table shows the figures for the receipts from the assigned revenues.

	Estimated receipts.	Receipts collected.				
	Monthly averages					
	Fin.Yr. 1925-26	Fin.Yr. 1924-25	1st.Qr. Fin.Yr. 1925-26	June 1925	July 1925	From Apl 1,1925 to July 31,1925
	(in millions of R.M.)					
Customs	29.7	29.7	37.2	37.2	57.9	169.5
Tobacco Tax	46.7	42.8	50.7	53.7	55.3	207.5
Beer Tax	14.5	16.4	21.7	28.2	23.6	88.7
Sugar Tax	15.4	18.3	20.3	22.0	28.2	89.1
Spirits Monopoly	12.5	11.8	10.1	9.2	9.4	39.8
Total	118.8	119.0	140.0	150.3	174.4	594.6

The increase in the July receipts compared to those for the month of June is due chiefly to an increase in the Customs yield. There is a regular increase in Customs receipts in January and July through the half-yearly payments by certain categories of tax-payers.

Marcel HEROIN.

From the French
Translated.- GHL
Checked - RB
RB.

I.I. 9.31242. Doc.131.

BERLIN, September 11,1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

LAW ON INCOME TAX.

(EINKOMMENSTEUERGESETZ)

OF AUGUST 10,1925.

(Reichsgesetzblatt I No.39 of August 15, 1925, page 189).

The Reichstag has voted the following Law, which is hereby promulgated with the assent of the Reichsrat:

§ 1.

In accordance with the provisions of the present Law, an Income Tax will be levied on the income of physical persons.

I. PERSONAL LIABILITY.

§ 2.

The following are liable to the Tax for the total amount of their income (unrestricted liability to pay Income Tax):

1. all physical persons having a domicile or being usually resident in the German Reich. Persons are considered to be usually resident in the German Reich, who have resided there for more than six months; where the term of residence exceeds six months, the liability to pay the Tax covers also the first six months;

2. officials in the service of the Reich and the Federal States, and members of the Defence Forces (Army and Navy of the Reich) who are resident abroad in the fulfilment of their duties. Elective consuls do not rank as officials within the meaning of the present provision. The officials of the German Railway Company and of the Reichsbank rank as officials of the Reich.

§ 3.

(1) All physical persons, not being unrestrictedly liable to payment of Income Tax in virtue of the provision contained in § 2, are liable to pay the Tax on income realised in Germany (German income). (Restricted liability to pay Income Tax).

(2) The following categories of income are alone subject to the Tax as representing German income within the meaning of paragraph 1:

1. income derived from agricultural and forestry undertakings (§ 6 paragraph 1 figure 1);

2. income derived from trading and commercial undertakings, having a place of business or a permanent representative in Germany (§ 6 paragraph 1 figure 2);

3. income derived from the renting or leasing of real estate, including all material property appertaining thereto, and rights situate in Germany or entered in a German Public Book or Register (§ 6 paragraph 1 figure 6);

4. income derived from other independent occupations carried on in Germany (§ 6 paragraph 1 figure 3);

5. income derived from dependent occupations (§ 6 paragraph 1 figure 4) which are, or have been carried out in Germany;

6. income derived from mortgages, land debts and other claims or rights, secured by German landed property or rights equivalent to landed property in Germany;

7. income derived from dividends, interest, exploitation, and other profits received in respect of German shares, mining shares (Kuxe), Genussscheine (warrants entitling the holder to compensation for present loss out of future profits) and shares in the Reichsbank, German colonial companies, German mining associations which enjoy corporate status, German co-operative societies and limited liability

companies;

8. income derived from participation as sleeping partner in a German commercial undertaking;

9. interest on loans registered in German Public Stock Books, or for which bond certificates have been issued, if the registered office or place of management of the debtor is situate in Germany;

10. income derived from conveyances within the meaning of § 42, which is realised on conveyances of German land sites and of rights to which the provisions of the Civil Code in regard to land sites apply;

11. periodical receipts from public cash offices in Germany which are accorded in consideration of present or past service (§ 36 paragraph 1) in so far as they are not taxed under figure 5. The Cash Offices of the German Railway Company and the Reichsbank rank as public cash offices for this purpose.

§ 4.

The Finance Minister of the Reich is authorised, with the assent of the Reichsrat, to impose a higher rate of Income Tax on the German income of a national of a foreign State which levies a higher tax on the income of a German national, more

particularly on income derived from trade, than it levies on the income of its own nationals, or on that of nationals of countries enjoying most-favoured-nation treatment.

§ 5.

Persons are exempt from payment of Income Tax, if they are entitled to claim exemption from personal taxes in virtue of general principles of International Law, or of special agreements concluded with other States, provided always that the principle of reciprocal treatment is observed.

II. INCOME.

§ 6.

(1) The following sources of income are alone liable to the Tax under the provisions of the present Law:

1. income derived from agricultural and forestry undertakings, horticulture and other cultivation of the soil not conducted as a trade (Income derived from agriculture and forestry);
2. income derived from trading and commercial undertakings;
3. income derived from other independent occupations;

4. income derived from dependent occupations (wages);

5. income derived from capital assets;

6. income derived from the renting and leasing of real estate, including all material property appertaining thereto, and rights, together with the rent value of the premises inhabited in a house belonging to the person liable;

7. other recurring income;

8. other sources of profit in conformity with §§ 41 and 42.

(2) The classification of income under the various categories enumerated in paragraph 1, figures 1 to 8, is effected in accordance with the general interpretation given thereto, save in so far as otherwise provided in §§ 26 to 45.

(3) The following particular categories of income are not liable to taxation: non-recurrent reversions of property such as donations, legacies, dowries, installations, lottery winnings, capital received on account of life insurances, capital amounts paid as compensation for accidents or bodily hurt, together with capital amounts paid as compensation in virtue of the public insurance system of the Reich, the Laws

governing pensions to officials and relief grants to military persons (Militärversorgung), but not capital amounts paid as compensation in virtue of the Law governing relief grants to members of the Defence Forces (Wehrmachtversorgung).

§ 7.

(1) Such part of the income shall be subjected to taxation as was received by the tax-payer (§ 11) during the taxable period (§ 10).

(2) By income is understood:

1. in the case of income of the nature indicated in § 6 paragraph 1, figures 1 to 3, the profits (§§ 12 and 13);

2. in the case of income of the nature indicated in § 6 paragraph 1, figures 4 to 8, the surplus of incomings (§ 14) over outgoings (§§ 15 to 17);

(3) Where a taxpayer draws income which comes under several of the categories above mentioned, or where he draws income of the same nature from several undertakings, or where he has outgoings (§ 15) which cannot be written off against any one category of income, his income shall be calculated by a process of combination of the results of the separate assessments, and adjustment as between the sum of his outgoings and the sum of his incomings.

§ 8.

In assessing income, the following shall not be taken into account:

1. amounts received in conformity with the provisions of the Law of the Reich on Social Welfare (Reichsversorgungsgesetz) of May 12, 1920, as amended by the Notification of July 31, 1925 (Reichsgesetzblatt I page 166), and in conformity with the Law of the Reich of May 12, 1920, on Damage caused by Internal Disturbances (Reichsgesetz über die durch innere Unruhen verursachten Schäden: see Reichsgesetzblatt page 941;

2. grants as compensation for mutilation, war service, air service, old-age, and service in the tropics; increases in pensions and annuities granted under the provisions of the Pensions and Relief for Military Persons Laws (Militärpensions- und Militärversorgungsgesetze); and the grants drawn for service in the tropics in virtue of the Law of June 8, 1910 concerning officials in the Colonies (Kolonialbeamtengesetz: see Reichsgesetzblatt page 881);

3. amounts received in respect of relief for damage sustained on war service in proportion to the lowering of the working capacity of the recipient, and relief drawn by the survivors

of military persons;

4. the annuities and extra grants, if any, allowed in virtue of the Law of July 17, 1922, on Personal Damage incurred during the Occupation (Besatsungspersonenschädengesetz: see Reichsgesetzblatt I page 624);

5. Preferential Annuities in virtue of the Law of July 16, 1925, on the Liquidation of Public Debt (Gesetz über die Ablösung öffentlicher Anleihen: see Reichsgesetzblatt I page 137;

6. the amounts received in kind and the compensation paid to members of the Defence Forces, and the State Police Forces, as indicated in § 19 paragraph 7 of the Law of April 30, 1920, regulating Pay and Emoluments (Besoldungsgesetz: see Reichsgesetzblatt page 805), and in § 11 of the Law of the Reich of July 17, 1922, on the Police Forces of the Federal States (Reichsgesetz über die Schutzpolizei der Länder: see Reichsgesetzblatt I page 597); the service pay drawn by members of the Defence Forces employed on active service outside their own district in conformity with § 39 paragraph 2 of the Defence Law (Wehrgesetz) of March 23, 1921 (Reichsgesetzblatt page 329), in so far as the said active service is of more than one month's duration, the

extraordinary retirement contribution (Uebergangsbeihilfe) and the extraordinary installation grant upon retirement (Umzugsentschädigung) to members of the Defence Forces, in conformity with §§ 15, 16, 54, 55 and 80 of the Law of August 4, 1921, on Relief to Members of the Defence Forces (Wehrmachtversorgungsgesetz; see Reichsgesetzblatt page 993) as amended by the Law of June 22, 1923 (Reichsgesetzblatt I page 409), and the compensation for return of Relief Vouchers (Versorgungsscheine).

7. the grant of honour paid to the recipients of German War Decorations;

8. amounts received by the taxpayer from a Health Insurance;

9. remuneration of workers' representatives (Betriebsräte) in accordance with § 87 of the Law on Workers' Councils (Betriebsrätegesetz);

10. allowances received from public funds, or from the funds of a public endowment, as relief in necessitous circumstances or grants towards education or special training, or for the furtherance of Science or Art, and grants from the public Unemployment Fund (Erwerbslosenfürsorge). The Finance Minister of the Reich may further decree the exemption from the Tax of other grants in so far as they are exclusively devoted to charitable or public utility

purposes, and are derived from the property or income of physical persons, juridical persons or associations of persons having no standing under Law, and having no domicile, place of residence, registered office or place of management in Germany.

§ 9.

(1) The income of taxpayers unrestrictedly liable to the Tax in accordance with the provisions of § 2 figure 2, is exempt therefrom, if it is taxed in the State in which the said taxpayers are resident in the fulfilment of their duties. The Finance Minister of the Reich is authorised, with the assent of the Reichsrat, to determine the extent to which the Income Tax collected in a foreign country from taxpayers, who are unrestrictedly liable to the Tax but resident abroad in pursuance of their business, may be entirely or partially deducted from the amount of German income Tax due to be paid by them.

(2) The provisions of paragraph 1 above do not apply to income realised in Germany (§ 3).

§ 10.

(1) The taxable periods (Steuerabschnitte) are:

a) in the case of taxpayers deriving their income from agricultural and forestry undertakings (§ 6 paragraph 1

figure 1), the business year from July 1 to June 30; business years, the accounts of which are regularly closed on some day between the dates June 24 and July 6 other than June 30, also rank as business years within the meaning of the present provision;

b) in the case of traders who are obliged under the provisions of the Commercial Code (Handelsgesetzbuch), to keep trade books, or who keep such books in accordance with the said provisions although under no obligation to do so, the business year for which they are in the habit of balancing their books;

c) in the case of other classes of taxpayers, the calendar year.

(2) Where, in addition to income derived from agricultural and forestry undertakings or from trading and commercial undertakings, taxpayers are in receipt of income from other sources, the taxable period applicable to such income from other sources is the taxable period applicable under paragraph 1 to income from agricultural and forestry undertakings or from small trades. Where taxpayers are the owners of undertakings of the nature indicated in paragraph 1 a, b, the business years of which close on different dates, the taxable period is the business year which is the last to close during the calendar year; in such cases, when income is being assessed for purposes of taxation,

the income from an undertaking, the business year of which does not coincide with the taxable period, shall be entered for the amount realised during the business year, and not for that realised during the taxable period.

(3) Other periods than those indicated in paragraphs 1 and 2 may be allowed as taxable periods,

a) in the case of tax-payers deriving their income from agricultural and forestry undertakings,

b) in the case of income derived from several sources,

in accordance with detailed provisions to be issued by the Finance Minister of the Reich.

(4) Where a liability to pay the tax has not been present during the entire calendar or business year, the taxable period is shortened accordingly.

§ 11.

(1) Income is considered to have been realised during the taxable period in which it fell due or, without being due, was realised by the tax-payer. Where a debt falls due within a taxable period but doubt exists as to its payment, the tax-payer need not include it in his income for that taxable period, but may reserve it for inclusion in the income of the taxable period during which he receives the payment.

(2) In the case of taxpayers who close their accounts regularly in respect of income derived from the sources indicated in § 6 paragraph 1 figures 1 to 3, income is considered to have been realised within the latest taxable period, in which, according to the principles of correct book-keeping, it may be included in the closing accounts; where the income is included in the closing accounts for an earlier taxable period, without offending any of the said principles of correct book-keeping, it is considered to have been realised during that earlier taxable period.

(3) Recurring remuneration received by persons in dependent occupations (§ 6 paragraph 1 figure 4) before the period for which it has been earned, is considered to have been received during the taxable period covering the period for which it was earned; the regulations concerning the deduction of the amount of the Tax from the salary at the moment of payment (§ 70 paragraph 3) remain unaffected by the above.

(4) The provisions of paragraphs 1 to 3 apply <u>mutatis mutandis</u> in determining the taxable period to which a particular item of expenditure is to be entered.

(5) Where the income of a business year is entered in accordance with § 10 paragraph 2 sentence 2 for a taxable

period ending at a later date, the said business year shall be substituted for the taxable period when determining the question of the period to which particular items of income or expenditure are to be entered.

§ 12.

(1) As profits within the meaning of § 7 paragraph 2 figure 1 shall be considered the surplus of incomings over outgoings, plus the increase or minus the decrease in value of the products, merchandise and stocks of the undertaking, the buildings and accessories used for the purposes of the undertaking, and the readily realisable invested capital as found at the conclusion of a taxable period when compared with the position at the conclusion of the preceding taxable period. Receipts derived from conveyance of land forming part of the invested capital are not included. Where the nature of the undertaking belonging to the taxpayer is such that the real property and capital, with which it is worked, do not fluctuate to any important extent from one taxable period to another, and where the merchandise on hand at the conclusion of the taxable period is not in excess of a normal amount, the calculation of the profits may be restricted to determining the surplus of incomings over outgoings.

(2) Where during a taxable period a conveyance of property has taken place and payment for the object of the conveyance has

not become due by the conclusion of the taxable period (§11), the amount of the sum due in payment shall be substituted for the object of the conveyance when calculating the profit. The value of the assets, exploitations, usufructs, or services taken by the taxpayer for himself and his household or for other purposes not connected with his undertaking, must also be included.

(3) Where an undertaking is given up, sold or transferred free of charge, the date of such giving up, sale or transfer shall be substituted for the date on which a taxable period ends, when calculating the profits of the said undertaking. The date on which the preceding taxable period ends shall be replaced in the case of the opening of an undertaking by the date of opening, in the case of the purchase of an undertaking by the date of the close of the taxable period applicable to the previous legal owner, or the date applicable to the latter under the terms of sentence 1 above.

§ 13.

In the case of taxpayers who are obliged under the provisions of the Commercial Code (Handelsgesetzbuch) to keep trade books, or who keep such books in accordance with the said provisions although under no obligation to do so, the profits, as indicated in § 7 paragraph 2 figure 1 and

§ 12, shall be taken to be the surplus of the business capital assessed in accordance with the principles of correct book-keeping, for the conclusion of the taxable period, over and above the business capital taken as the basis of assessment at the conclusion of the preceding taxable period. When assessing the profits, consideration must be paid to the provisions of the present Law in respect of values taken by the tax-payer from the undertaking (§ 12 paragraph 2), outgoings susceptible to exemption (§§ 15 to 18) and assessments of value (§§ 19 to 21). The provisions of § 12 paragraph 3 apply mutatis mutandis.

Incomings as indicated in § 7 paragraph 2 figure 2 and § 12 paragraph 1 include all wealth accruing to the taxpayer in the form of money or money values; they include amongst other things the value of the usufruct of an apartment in a house belonging to the taxpayer, and of an apartment ceded free of charge entirely or partially to the taxpayer together with any premises, parks or gardens appertaining thereto.

§ 15.

(1) Outgoings as indicated in § 7 paragraph 2 figure 2, § 12 paragraph 1 and § 13, include:

1. expenditure incurred for the acquisition, securing and maintenance of income (Werbungskosten: see § 16);

2. the extraordinary outgoings indicated in § 17;

3. interest on debts and the annuities and recurring charges due in virtue of special provisions concerning obligations under Private and Public Law or general legislation, in so far as such outgoings do not come within the term of Werbungskosten, and have no economic connection with income which is not liable to the Income Tax. Expenditure incurred in fulfillment of a legal obligation to pay maintenance shall also not be included, if it is paid in virtue of a special obligation under Private Law.

(2) Where the outgoings are Werbungskosten or arise in economic connection with a particular category of income, they shall be deducted from the total amount of the incomings from the separate categories of income. In the case of taxpayers with restricted liability a deduction of the extraordinary outgoings indicated in paragraph 1 figure 2 is not permissible; the remaining outgoings indicated in paragraph 1 may be deducted only in so far as it is economically connected with income liable to taxation.

§ 16.

(1) Werbungskosten are the expenditure incurred for the acquisition, securing and maintenance of income.

(2) Expenditure incurred for the acquisition or manufacture of objects to be employed or utilised by the taxpayer according to arrangement for a considerable period of time, may not be deducted to its full amount in the taxable period during which the said objects were acquired or manufactured. It may only be entered in each taxable period to the extent of the amount indicated for that period when the total is distributed over the whole period of employment or utilisation (writing off for depreciation).

(3) Writing off for depreciation is only permissible in the case of machinery and other furniture and fittings belonging to an undertaking; trading patents; literary and artistic copyrights; buildings, irrigation and drainage plant and fisheries' plant. The amounts to be written off shall be calculated in proportion to the length of the period of utilisation generally accorded for such objects. Amounts may be written off for extraordinary depreciation during one taxable period, but special proof must be supplied in such cases. The amounts to be written off must not be based upon a higher price than that paid for the purchase or manufacture of the object (§ 19 paragraph 2), and are to be calculated in percentages.

(4) In the case of mining concerns, quarries and other undertakings calling for the consumption of substance, amounts

may be written off for diminution of substance; the provisions of paragraph 3 sentences 2 to 4 apply mutatis mutandis.

(5) The Werbungskosten also include:

1. taxes on landed property and trading and commercial undertakings, other public dues, and contributions towards the insurance of objects, and in so far as such expenditure may be taken to have been incurred for business or administration purposes;

2. the yearly payments to be effected in virtue of the Law of August 30, 1924, for the Levying of the Industrial Charges (Aufbringungsgesetz: see Reichsgesetzblatt II page 269), including the supplementary payments; the amount employed for the repurchase of individual debentures in accordance with §§ 57 to 66 of the Industrial Charges Law of August 30, 1924, (Industriebelastungsgesetz; see Reichsgesetzblatt II page 257) may not be deducted;

3. the interest on real estate mortgages to be paid in virtue of § 4 of the Law of August 30, 1924, concerning the Liquidation of the Rentenbank Notes in Circulation (Gesetz über die Liquidierung des Umlaufs an Rentenbankscheinen: see Reichsgesetzblatt II page 252);

4. necessary expenditure incurred by the taxpayer in journeying between his place of residence and the place of his occupation;

5. expenditure incurred by the employer for working accessories such as tools and uniforms;

6. costs for the amalgamation of land sites (rounding off of property).

§ 17.

(1) The following extraordinary outgoings may be deducted from the income, when assessing for Income Tax:

1. contributions paid by the taxpayer for himself or for such members of his household as are not independently liable to the Tax, in respect of Health, Accident, Liability, Employees, Old-age and Unemployment Insurances, Widows and Orphans Funds and Pensions;

2. contributions paid by the taxpayer for himself or for such members of his household as are not independently liable to the Tax, towards Burial Fund Insurance;

3. life or Endowment Insurance premiums paid to insure the taxpayer and such members of his household as are not independently liable to the Tax; as Insurance premiums

rank the savings deposited for the taxpayer, and the members of his household who are not independently liable to the Tax, where it has been agreed that the capital shall only be repaid in case of death or after a minimum period of twenty years, and the arrangement is notified to the competent Finanzamt (Revenue Office) of the taxpayer, together with the assurance from both parties to the agreement that they renounce all rights to modify or cancel the said agreement;

4. expenditure incurred for special training in the profession exercised by the taxpayer;

5. taxes paid to the public bodies and corporations indicated in Article 137 of the Constitution of the Reich (Reichsverfassung) to the extent to which the said taxes fall due in the taxable period in question. The Finance Minister of the Reich may, in agreement with the competent supreme authorities of a Federal State, decree that regular contributions to be paid to private ecclesiastical societies having no standing under Public Law shall rank as Taxes within the meaning of sentence 1 above;

6. contributions paid to professional or commercial bodies without Public Law Status, which are not in aim business undertakings;

7. sums paid to Maintenance, Welfare and Pensions Funds of the undertaking of the taxpayer, where they are.

guaranteed to be permanently applied to the purposes of the said Funds.

(2) The deductions allowed in virtue of paragraph 1 figures 1 to 4 shall not exceed the annual amount of 480 Reichsmarks; the above amount is increased by 100 Reichsmarks respectively for the wife of the taxpayer when living in his household and each child belonging to his household, who is still a minor and not yet independently liable to the Tax.

(3) The persons indicated in § 56 paragraph 2 shall rank as members of the household not independently liable to the Tax.

§ 18.

(1) Without prejudice to the provisions of § 15 paragraph 1 figure 3 and § 17, expenditure which is in the nature of employment of income may not be deducted. Such expenditure includes:

1. expenditure incurred in connection with the improvement and increase of the property owned by the taxpayer, for the extension of his business, investment of capital, amortisation of debts, or purchase of objects to replace others, in so far as such expenditure exceeds the limits fixed by §§ 15 and 16, and is

not incurred for objects already taken into consideration when comparing the property at one date to its position at another date (§§ 12 and 13);

2. the amounts expended for the upkeep of the household of the taxpayer and of the members of his family;

3. the Income Tax and other personal taxes paid by the taxpayer.

(2) The interest received by the taxpayer in respect of personal wealth invested in agricultural and forestry undertakings and trading concerns is also not admissible for deduction.

§ 19.

(1) When assessing the value of the several objects or assets assigned to the undertaking, the common (market) value shall be taken as a basis for the conclusion of the taxable period (§ 12 paragraph 1 and § 13). When assessing the common value of objects or assets not intended for sale, the basis of the assessment shall be, not the presumed value upon sale of each individual object or asset, but the consideration that the said object or asset is in the continued use of the concern to which it belongs at the date of assessment.

(2) The taxpayer may substitute for the common value, the purchase price or cost of production, after deducting the amounts allowed in virtue of § 16 paragraphs 2 to 4 to be written off against depreciation and diminution of substance. Where no purchase price or figure for the cost of production is given, it shall be taken to be the amount which the taxpayer would, under normal conditions, have been obliged to pay for the asset or object at the date of acquisition.

(3) Where objects previously belonging to a taxpayer are assigned to an undertaking, they may not be assessed at more than their common value at the date of assignment. Where there is no earlier taxable period, by comparison with which profits can be assessed in conformity with the provisions of § 12 paragraph 1 and § 13, the objects assigned to the undertaking may not be assessed for the beginning of the taxable period at a higher figure than that of the purchase price or cost of production but this provision is without prejudice to the provision contained in the first sentence of the present paragraph.

§ 20.

(1) In the case of objects which already formed part of the business capital of a taxpayer at the conclusion

of the preceding taxable period, or, where the undertaking has been gratuitously acquired, to the business capital of the previous legal owner, the value of an object as assessed for the conclusion of a taxable period, shall be taken for the following taxable periods when assessing the estate of a taxpayer or of his legal successor; the taxpayer may however for the conclusion of the taxable period substitute the common value (if lower) for the purchase price or cost of production, and similarly the purchase price or cost of production, less the amounts written off for depreciation and diminution of substance, for the assessed common value (if lower than the said common value).

(2) In the case of gratuitous transfer of an undertaking, the common value may always be taken, if higher, for the assessment of the last owner of the undertaking, whether at the close of the last preceding taxable period the common value was taken for the purpose or the purchase price or cost of production.

§ 21.

Save in so far as otherwise provided, income other than money, such as fruits of the soil, merchandise, board and lodging, the enjoyment of rights and property, exploitations and services rendered, shall be assessed at the

customary average rates ruling in the place where such income is realised.

§ 22.

(1) The income of the wife shall be added to the income of the husband for purposes of the Tax, where the latter is unrestrictedly liable to the Tax, so long as the said wife is unrestrictedly liable to the Tax and is not living permanently separated from her husband; such addition to take place for the first time for the calendar or business year following the presence of such conditions; the husband and wife will be assessed together for the taxable period adopted in conformity with § 10. Where the husband and wife are in receipt of income for which the same calendar or business year is not applicable as taxable period, the provisions contained in § 10 paragraphs 2 and 3 apply mutatis mutandis with regard to the question as to which taxable period is to be adopted for the combined assessment of the said income. In determining the amalgamated income of the husband and wife the provision contained in § 7 paragraph 3 applies as the sense indicates.

(2) The liability of husband or wife for the Tax in accordance with § 95 paragraph 2 of the Reichsabgabenordnung (Fundamental Law on Taxation of the Reich) shall not

be excluded by the fact that the said husband or wife has received no income during the period covered by the liability.

(3) A husband or wife shall be considered liable for that proportion of the Tax for which he or she would be assessed were the income of each party assessed separately.

(4) The provisions contained in paragraphs 1 to 3 do not apply to income of the nature indicated in § 6 paragraph 1 figures 3 and 4, received by the wife for work done in an undertaking not belonging to the husband.

§ 23.

(1) To the income of the head of a household unrestrictedly liable to the Tax, shall be added the income of such children as are still under age, so long as they are unrestrictedly liable to the Tax and form part of his household, such addition of income to be effected immediately upon the existence of such conditions; in cases where a minor is in receipt of income before the existence of the conditions mentioned in the above sentence 1, the provisions of § 22 paragraph 1 shall apply mutatis mutandis in determining the period from which the incomes shall be amalgamated and the question as to which taxable period is to be adopted for the combined assessment. The head of the household and the

children will be assessed together for the taxable period adopted in accordance with the provision contained in § 10. The provision contained in § 7 paragraph 3 applies mutatis mutandis for the determining of the amalgamated income of the head of the household and his children.

(2) As children within the meaning of paragraph 1 rank side by side with the issue of the head of the household, all step-children, sons-in-law, daughters-in-law, adopted children, foster-children and their issue.

(3) In the case of assessment of the amalgamated income, the head of the household and the children are conjointly liable for the amount of the Tax. The provisions of § 22 paragraphs 2 and 3 apply mutatis mutandis.

(4) The provisions of paragraphs 1 to 3 do not apply to income of the nature indicated in § 6 paragraph 1 figures 3 and 4 received by children who are minors.

§ 24.

In cases of a married persons' joint property co-partnership (Gütergemeinschaft) which has been extended after the decease of a husband or wife, the income of the joint estate ranks as the income of the surviving husband or wife.

§ 25.

(1) The Income Tax shall be assessed at the end of the taxable period (§ 10) in proportion to the income realised during that period.

(2) Where the taxable period coincides with the calendar year, or where it ends during the second half of a calendar year, the Income Tax shall be assessed upon completion of the said calendar year.

(3) Where the taxable period ends during the first half of a calendar year, the Income Tax shall be assessed upon completion of the first half of the calendar year.

(4) Where the liability to pay the Tax ceases, or where the taxable period is modified by the introduction or cessation of the presumed conditions specified in § 10 paragraph 1 a and b, § 22 paragraph 1, and § 23 paragraph 1, the income realised until the liability to pay the Tax ceased, or until the taxable period to be adopted began to run, shall be assessed at the next regular assessment, in so far as it has not yet been assessed. The above provision does not apply where the income realised during the said period is added to the income realised during the taxable period to be adopted.

(5) Where an immediate assessment is found to be necessary in cases of cessation of liability, or other cases as indicated in paragraph 4, such immediate assessment may be made without delay.

III. THE SEVERAL CATEGORIES OF INCOME.

1. Agriculture and Forestry.

§ 26.

(1) Income from agricultural and forestry undertakings, horticulture and other cultivation of the soil, not conducted as a trade (Income derived from agriculture and forestry), also includes income from the following sources:

1. animal breeding;
2. vegetable and fruit-growing, tree nurseries and seed-growing;
3. wine and hop-growing;
4. inland fisheries, fish-breeding and fish pond culture (Teichwirtschaft, alternate use of the ponds for fish and, after the water has been drawn off, for crops);
5. peat-cutting (turbary) and the extraction of stone and earths,

unless an independent trading concern is involved.

(2) Income from agricultural and forestry undertakings also includes income realised in the exercise of the chase, where the latter is connected with agricultural or forestry undertakings.

§ 27.

The assessment of income from agricultural and forestry undertakings shall include:

1. the value of the usufruct of the dwelling-house of the head of the undertaking, to the amount customary in the case of similar undertakings;
2. the income resulting to the undertaking from rights in connection with the land, rents, and such rights as are subject to the provisions of the Civil Code concerning landed estate.

§ 28.

(1) Where the taxpayers keep regular books showing the net profits of their agricultural and forest undertakings, the profits shall be assessed on the basis of the figures obtained when the said books are closed; the books shall be considered to be regular (subject to their audit) if they:

1. show all business transacted by the undertaking, with the cash payments and receipts involved, in accordance with certain fixed principles, and enter in particular all transactions between the owner and the undertaking, such as personal consumption, withdrawals of assets for his own use, or money or other assets put into the undertaking from other sources of property;

2. show on the basis of an annual inventory the changes in the several assets of the undertaking.

(2) The Finance Minister of the Reich is authorised, in agreement with the Minister of the Reich for Food Supply and Agriculture, to issue detailed provisions regulating whether and to what extent books kept in conformity with paragraph 1 above shall be recognised as authoritative.

2. Trading and Commercial Undertakings.

§ 29.

Income from trading and commercial undertakings also includes:

1. income from mining undertakings;

2. in the case of the partners with personal liability in a joint stock commandite company, the fees (Tantiemen) and part in the profits of the said partners due on

their investments of capital other than the original capital of the company;

3. in the case of partners of a private partnership (offene Handelsgesellschaft), a commandite company, or any other kind of company in which the partners are to be regarded as active partners (active co-partners) of the undertaking, the amount due to the said partners out of the business profits plus any special bonuses drawn by them for administrative services rendered in the interests of the company.

§ 30.

(1) As income from trading and commercial undertakings rank also the profits realised upon the conveyance by sale or otherwise:

1. of the whole or part of the trading or commercial undertaking;

2. of share-holdings of partners with personal liability in a joint-stock commandite company (§ 29 figure 2), or of the participatory rights of partners who are to be regarded as active partners (or co-partners) of the undertaking (§ 29 figure 3).

(2) The assessment of the profits within the meaning of

paragraph 1 above shall be effected in accordance with the provisions of §§ 12 and 13, subject to the proviso that the conveyance price shall be compared with the value upon which the assessment was based at the conclusion of the preceding taxable period; where no particular value was taken as the basis of the last assessment, the purchase price or cost of production (§ 19 paragraph 2) shall be adopted in place of the said value. When comparing the figures, the value of the real estate shall be left out of account to the extent to which it is left out of account in the conduct of the business when estimating profits.

(3) Conveyances of participatory rights in a trading company, such as participatory rights in a limited liability company, or shares, mining shares (Kuxe), Genussscheine (warrants entitling the holder to compensation for present loss out of future profits), or similar holdings, or the reversionary rights to such holdings, where the conveyor is interested in the capital of the company for a considerable amount, rank as conveyances of the whole or part of a trading and commercial undertaking (paragraph 1 figure 1 above). A considerable interest in the capital of the company may only be taken to exist where the conveyor, or his relations, within the meaning of § 47 paragraph 1

figures 2 and 3 of the Reichsabgabenordnung is or are interested directly, or through the intermediary of a Trustee or a trading company, in a company to the extent of more than one-quarter of the capital, or has or have been interested to that extent in the course of the preceding ten years. The above sentence 1 does not apply when the participatory rights conveyed during a taxable period amount to less than 2 per cent of the capital of the company. The assessment of the profits shall be effected in accordance with the provisions of § 7 paragraph 2 figure 2, subject to the proviso that the conveyance price shall be entered as income, and the Werbungskosten (see § 16 paragraph 1), together with the portion of the purchase price corresponding to the participatory rights conveyed, shall be entered as expenditure.

(4) The giving up of a trading and commercial undertaking also ranks as a conveyance of the whole or part of such an undertaking (paragraph 1 figure 1). In this connection the assessment of the profits must be based on the prices obtained from the conveyance of the several objects and assets belonging to the undertaking. In the case of objects or assets which are not conveyed, the common (market) value at the time of liquidation shall be substituted for the conveyance price. Where several partners

(or co-partners) are interested in an undertaking and the undertaking is given up by mutual agreement, no one partner may be assessed for more than the common value of the objects or assets received by him at the liquidation.

§ 31.

Where in the case of § 30 paragraph 1 figure 1 the conveyor has acquired the business capital free of charge in the course of the three years preceding the conveyance of the undertaking, there must be added, upon request, to the Income Tax calculated upon the profits of the said conveyance (§ 30 paragraph 2) that part of the Tax on Successions, which represents the difference between the value of the business capital taken as the basis for assessing the Successions Tax and the value of the business capital last taken for assessing the Income Tax of the legal predecessor of the taxpayer. This also applies correspondingly to the cases indicated in § 30 paragraph 1 figure 2 and paragraph 3, where the conveyor has acquired the shares or participatory rights free of charge within the three years preceding the conveyance.

§ 32.

The provisions of §§ 30 and 31 apply only:

a) where the profits derived from the conveyance of the

trading and commercial undertaking as an entire unit exceed the sum of 10 000 Reichsmarks;

b) where the profits on holdings of shares or participatory rights derived from the conveyance of part of a trading and commercial undertaking exceed that moiety of 10 000 Reichsmarks which corresponds to the acquired shares or rights.

The profits resulting in accordance with the provisions of §§ 6 to 25 for the period from the last assessment to the date of conveyance shall not be considered as conveyance profits within the meaning of the present provision.

§ 33.

(1) Where the profits derived from a German trading and commercial undertaking, as a result of special arrangements concluded between the taxpayer and a taxpayer with restricted liability in Germany, are clearly disproportionate to the profits commonly obtained by undertakings of a like or similar nature, the latter may be entered as the profits for purposes of assessment of the income of the said German undertaking, or at least the customary interest on the capital of the undertaking . As capital within the meaning of the present provision shall be understood (in addition to the

invested capital) the liquid business capital, in particular merchandise, products and stocks.

(2) The provision of paragraph 1 does not apply, if the taxpayer can prove that he is not interested to any considerable extent in the capital or profits of the foreign undertaking, and that the owner of the latter undertaking is not interested to any considerable extent in the capital or profits of the undertaking owned by him. Whether an interest is to be regarded as considerable, shall be determined by the provision contained in § 30 paragraph 3 sentence 2.

§ 34.

(1) Where a German undertaking with restricted liability in accordance with § 3 paragraph 2 figure 2 is a branch of a foreign undertaking, the profits commonly obtained by German undertakings of a like or similar nature, or at least the customary interest on the capital devoted to the working of the said German branch, may be entered as the profits for purposes of assessment of the income of the said branch, if the said branch is an independent enterprise. As capital within the meaning of the present provision shall be understood (in addition to the invested capital) the liquid business capital, in particular merchandise, products and stocks. The present provision shall also be applicable where under the regulations for the conduct of business there is some other system of distributing profits

between the German branch and the foreign undertaking.

(2) The Finance Minister of the Reich, or the Landesfinanzamt (Provincial Revenue Office) instructed by him to that effect, is empowered, in agreement with the Government of the Federal State or the administrative authority designated by the latter for the purpose, to assess the Income Tax in a lump figure, if the taxpayer so demands.

3. Other independent occupations.

§ 35.

(1) As income from other independent occupations shall be considered in particular:

1. income derived from the exercise of liberal professions, in particular earnings accruing from scientific, artistic, literary, educational and pedagogical activities and from the exercise of the medical, legal, architectural and engineering professions;
2. other income derived from independent work, in particular remuneration for administering property, for acting as executor in Wills, bonuses and fees (Tantiemen) or emoluments granted under any other name, privileges and compensation received in lieu of money by the members of Boards of Control (Aufsichtsräte) of share companies,

joint stock commandite companies, limited liability companies, cooperatives and other associations of persons where the taxpayer is not to be regarded as partner (or co-partner) of the undertaking.

(2) Income of the nature indicated in paragraph 1 above, shall be regarded as income derived from other independent occupations, even although the said occupations are not exercised continuously.

4. Dependent Occupations.

§ 36.

(1) Income derived from dependent occupations (wages), whether of a permanent or temporary nature, shall include:

1. salaries, pay, wages, fees, bonuses, or other emoluments granted under other names, privileges and compensation in lieu of money granted to persons appointed or employed in public or private services;

2. retaining pay, pensions, widows' and orphans' pensions, and other emoluments, or privileges in lieu of money, granted for past services.

(2) The following shall not rank as wages:

1. entertainment allowances, daily allowances and travelling expenses granted from public funds. That portion of the

salary, or any supplemental amount expressly assigned to meet expenditure in connection with official entertaining, shall rank as an entertainment allowance of a person employed in a public service;

2. compensation allowed to persons in private employment with the express object of covering the cost of entertaining devolving upon their position, where such compensation is only allowed for amounts proved by vouchers or otherwise to have been spent, or for amounts which clearly cannot have exceeded the actual sums expended; compensation allowed by the employer for working utensils provided by the employee belongs to this category.

(3) Remuneration for deliveries and other services subject to the Turnover Tax (Umsatzsteuer) in virtue of the Turnover Tax Law shall not rank as wages.

(4) The Finance Minister of the Reich may decide in particular classes of cases whether remuneration for services rendered shall be regarded as a wage, or shall be liable to the Turnover Tax.

5. Capital Assets.

§ 37.

(1) Income from capital assets shall include in particular:

1. dividends, interest, exploitation and other profits derived from shares, mining shares (Kuxe), Genussscheine (warrants entitling the holder to compensation for present loss out of future profits), and shares in the Reichsbank, colonial companies, mining associations having the rights of a juridical person, limited liability companies and cooperatives;

2. income from participation as sleeping partner in a commercial undertaking;

3. interest on loans and stock registered in Public Stock Books or in respect of which bond certificates are issued;

4. interest on capital claims of every kind including interest on invested capital and on deposits with Savings Banks, Banks and other credit institutions;

5. interest on mortgages and land debts, and annuities. In the case of mortgages and land debts which are being simultaneously amortised, only the interest on the outstanding balance of the capital shall rank as income from capital;

6. discounts of bills and orders to pay, including Treasury Bills, where such bills, orders to pay and

Treasury Bills represent capital investments.

(2) Income from capital assets within the meaning of paragraph 1 above also includes:

1. special remuneration or privileges granted in addition to income from capital of the nature indicated in paragraph 1 above, or in lieu of such income;

2. income realised from the conveyance by sale or otherwise of dividends, interest coupons, and other profits, in so far as the shares, bonds, or other participatory rights in respect of which they are realised, remain in the possession of the taxpayer.

(3) Where income from capital of the nature indicated in paragraphs 1 and 2 above is derived from an agricultural, forestry or commercial undertaking, such income shall rank as income from agricultural, forestry or commercial undertakings.

6. Renting and Leasing of real estate, including all material property appertaining thereto, and rights.

§ 38.

Income derived from the renting and leasing of real estate, including all material property appertaining thereto,

and rights, shall include in particular:

1. income from the renting, leasing and other conveyance for fixed periods of time of land-sites, buildings and parts of buildings, of ships entered on the Shipping Register, and of rights to which the provisions of the Civil Code concerning landed estate are applicable;

2. income from the renting, leasing and other conveyance for fixed periods of time of agricultural plant, liquid business capital or installations serving for the exercise of an independent occupation;

3. income from the leasing or other conveyance for fixed periods of time of copyrights, artistic rights and commercial patents, and of other rights, prerogatives and services, in so far as such income is not added to the income derived from trading and commercial undertakings or other independent occupation.

(2) Income within the meaning of paragraph 1 above shall also be understood to include income derived from the conveyance of claims for house rent and lease-money, even although the income so derived was allowed for in the price of the land-sites conveyed, and the rents and lease-monies cover a period during which the conveyor was still proprietor of the property.

(3) The value of the usufruct of an apartment in a house belonging to the taxpayer, and of an apartment ceded free of charge, entirely or partially, to the taxpayer together with the usual premises, gardens or parks appertaining thereto, shall rank as income from the renting and leasing of real estate, unless the said value has already been included in other classes of income in accordance with § 27 figure 1.

(4) Income of the nature indicated in paragraphs 1 to 3 above, derived from an agricultural, forestry or commercial undertaking, or from other independent activities or dependent occupations, and other recurring emoluments shall rank as income within the meaning of paragraph 1.

§ 39.

When assessing the income derived from the renting and leasing of real estate, there shall be added to the rent or lease-money the payments in natural produce or other additional services due by the lessee or tenant to the lessor or landlord, and the usufructs reserved to the lessor or landlord. Charges incumbent on the lessor or landlord, which are entitled to be deducted from the income, shall be deducted from the said rent or lease-money.

7. Other recurring income.

§ 40.

Other recurring income shall include:

1. heritable annuities;

2. life annuities, jointures, annuities for fixed periods and other non-heritable annuities;

3. extra allowances and other advantages which are granted regularly, even where the recipient can make no legal claim thereto. Where such allowances and other advantages are voluntary grants, or are made in fulfilment of a legal obligation for maintenance, the recipient is not required to declare them for purposes of taxation, if the donor is unrestrictedly liable to the Tax, (§ 2).

8. Other sources of profit.

§ 41.

(1) Other sources of profit are:

1. income from conveyances within the limits prescribed by § 42 below, unless it should concern objects or assets, the value of which would be entered as incomings

when assessing profits in accordance with §§ 12 and 13, or when dealing with income of the nature indicated in § 6 paragraph 1 figures 4 to 7;

2. income derived from other sources of activity than those indicated in § 6 paragraph 1 figures 1 to 4 and figure 6, more especially income from occasional services rendered and from the renting of moveable property or assets, including ships which are not entered on the Shipping Register.

(2) income of the nature indicated in paragraph 1 figure 2 above is subject to the Tax only when the income for the taxable period exceeds the amount of 500 Reichsmarks.

§ 42.

(1) Income derived from conveyances is liable to the Tax only if the said transactions are speculative in nature. Without prejudice to paragraph 2 below, the following conveyance transactions shall rank as speculative:

1. where the period between acquisition and conveyance amounts to

a) less than 2 years in the case of land-sites,

b) or less than 3 months in the case of other objects or assets, in particular securities, or

2. where acquisition of the property follows after the conveyance thereof.

(2) Income derived from conveyances is exempt from the Tax:

1. where the object or asset conveyed does not form part of the real or personal estate of the conveyor liable to Income Tax;

2. where the total profits realised from conveyances during the taxable period are less than 1 000 Reichsmarks;

3. where the taxpayer demonstrates that the conveyed object or asset has not been acquired for the purposes of profitable re-conveyance.

(3) Losses incurred in connection with conveyances within the meaning of paragraph 1 above may be deducted only to the amount of the profits liable to the Tax, which are realised from conveyances during the same taxable period.

§ 43.

When estimating the profits and losses resulting from conveyance transactions (§ 41 paragraph 1 figure 1 and § 42), the price realised for the conveyance shall be entered as income, whilst the purchase price plus Werbungskosten (§ 16) shall be entered as expenditure: the Werbungskosten also include the Increment Tax (Wertzuwachssteuer). Where it is not possible to estimate the purchase price, the common (market) value shall be substituted therefor, which the object or asset had at the time of acquisition.

9. Common Provisions.

§ 44.

The following shall rank as income of the nature indicated in § 6 in addition to the several sources of income expressly designated in §§ 26 to 40, and § 41 paragraph 1 figure 2;

1. compensation granted for the foregoing of income, or for the giving up of an occupation, or for the renouncing of a share in profits or a reversionary interest therein;
2. income accruing to a taxpayer from a former occupation within the meaning of § 6, paragraph 1 figures 1 to 4,

or from a lapsed legal right within the meaning of § 6 paragraph 1 figures 5 to 8; this provision also applies where the taxpayer is the legal successor to such income.

§ 45.

When classifying income according to the categories indicated in § 6 paragraphs 1 to 3, it is of no importance whether the person engaged in an undertaking or a profession ranks as owner, usufructuary, lessee or other person with usufructuary rights. Income derived from the leasing of property (§ 38) does not rank within the meaning of the present Law as income of the nature indicated in § 6 paragraph 1 figures 1 to 3.

§ 46.

For purposes of facilitating the assessment of the Tax, average rates may be fixed for the income or for the guiding principles upon which it is to be assessed. The Government of the Federal State or the administrative authority designated by it shall take part in fixing the said rates. The average rates shall be taken as the basis upon which to assess the income unless the taxpayer in his Declaration of Tax adduces evidence in a contrary sense, and either proves his case or supplies sufficient documentary evidence to justify an assessment on other than the average rates.

§ 47.

In the case of taxpayers who by drawing income from foreign countries become unrestrictedly liable to the Tax, the Finance Minister of the Reich may decree that, in particular cases or groups of cases, entire or partial exemption may be granted, for a period of five years from the commencement of the said unrestricted liability for income derived from particular sources, and more especially foreign sources, or that such persons shall be taxed in proportion to the amount of income consumed by them in Germany; the Finance Minister of the Reich or the Landesfinanzamt (Provincial Revenue Office) designated by him may in such cases in agreement with the taxpayer fix a lump sum to be paid as Income Tax.

§ 48.

The Finance Minister of the Reich is empowered, with the assent of the Reichsrat, to issue guiding principles for determining the income to be regarded as German income (§ 3) in the case of taxpayers with restricted liability, where it is found impossible to calculate separately the income derived from the exercise of a trade or profession in Germany (§ 3 paragraph 2 figures 1 to 4). The Finance Minister of the Reich or the Landesfinanzamt (Provincial

Revenue Office) designated by him may in such cases, upon the request of the taxpayer, fix a lump sum to be paid in settlement of the Tax on the German portion of the said income.

IV. TAXATION ON THE BASIS OF CONSUMPTION.

§ 49.

(1) Where the assessed income of a taxpayer with unrestricted liability is clearly disproportionate to his consumption, regard being had to his circumstances as a whole, his actual consumption may be taken in lieu of his income for purposes of assessing the Tax, unless the said taxpayer can supply proof that he has defrayed his consumption out of amounts which, in accordance with §§ 8, 9 and 40 figure 3, sentence 2 are not included in his taxable income, or that his consumption consists of recurring expenditure of the kind specified in § 40 figure 3 sentence 1, which as the recurring income of another party is taxable to that party.

(2) Consumption within the meaning of paragraph 1 shall be deemed to be the amounts expended by the

taxpayer for the upkeep and maintenance of his household, plus the amounts expended for the upkeep of the members of his family, as also outlay for the purchase of objects or assets for which the taxpayer is not liable to pay the Tax on Real and Personal Property (Vermögensteuer).

(3) The following outgoings shall not be included under consumption:

a) expenditure incurred on account of dowries and installations, not being in excess of the financial position of the taxpayer;

b) expenditure incurred for the payment of interest on debts, annuities and recurring charges within the meaning of § 15 paragraph 1 figure 3;

c) expenditure incurred in payment of the Taxes on Income, Real and Personal Property, Landed Estate and Commercial Undertakings;

d) expenditure incurred in connection with extraordinary outgoings within the meaning of § 17, non-recurring and recurring contributions to German associations serving exclusively scientific, artistic, ecclesiastical, or, charitable objects or objects of public utility;

e) expenditure incurred for medicaments and other objects required for medical purposes or for overcoming physical infirmities;

(4) The following outgoings may upon request be excluded in addition to those indicated in paragraph 3:

a) expenditure incurred through illness or accidents;

b) extraordinary outgoings to defray expenses incurred upon the birth of a child, and for its maintenance or education;

c) expenditure incurred on account of employees or former employees, where such expenditure appears necessary for social reasons.

(5) Clear disproportion between income and consumption (paragraph 1 above) shall not be assumed, unless the consumption is at least half as much again as the income. Further, the provision of paragraph 1 shall not apply, if the taxpayer is able to prove that he has met his outgoings out of estate, which has been in existence during the last three years and subjected to Income Tax during that period.

(6) The provision of paragraph 1 above is not

applicable unless the consumption amounts to at least 15 000 Reichsmarks per annum.

V. RATES OF ASSESSMENT.

§ 50.

(1) Income Tax shall not be assessed for incomes of less than 1 100 Reichsmarks per annum.

(2) The sum of 1 100 Reichsmarks thus exempt from taxation may be further increased by the following amounts for the wife of the taxpayer residing with him, and for the children who have not yet attained their majority and form part of his household (§ 23 paragraph 2):

1. for the wife by 100 Reichsmarks per annum
2. for the first child by 100 " " "
3. for the 2nd child by 180 " " "
4. for the 3rd child by 360 " " "
5. for the 4th and every successive child by 450 Reichsmarks each per annum.

Children of more than 18 years of age, drawing income within the meaning of § 6 paragraph 1 figure 3 or 4 shall not be included.

(3) The provisions of §§ 93, 94 and 102 paragraph 3 are unaffected by the above.

§ 51.

Compensation for extraordinary outgoings (§ 17) shall be allowed to the extent of a deduction of 180 Reichsmarks from the total amount of the income, unless higher amounts are allowed in individual cases.

§ 52.

(1) The following amounts shall be deducted each year when assessing the income for Income Tax:

1. 600 Reichsmarks as being exempt from taxation, where the income of the taxpayer does not exceed the amount of 10 000 Reichsmarks per annum;

2. 8 per cent of the income over and above the said 600 Reichsmarks (figure 1) for the wife of the taxpayer residing with him, and for each child which has not yet attained its majority and forms part of his household (§ 23 paragraph

Children of more than 18 years of age, drawing income within the meaning of § 6 paragraph 1 figure 3 or 4 shall not be included.

(3) The provisions of §§ 93, 94 and 102 paragraph 3 are unaffected by the above.

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Compensation for extraordinary outgoings (§ 17) shall be allowed to the extent of a deduction of 180 Reichsmarks from the total amount of the income, unless higher amounts are allowed in individual cases.

§ 52.

(1) The following amounts shall be deducted each year when assessing the income for Income Tax:

1. 600 Reichsmarks as being exempt from taxation, where the income of the taxpayer does not exceed the amount of 10 000 Reichsmarks per annum;

2. 8 per cent of the income over and above the said 600 Reichsmarks (figure 1) for the wife of the taxpayer residing with him, and for each child which has not yet attained its majority and forms part of his household (§ 23 paragraph

2): but such deduction shall not exceed a maximum of 540 Reichsmarks for the wife and each child respectively, and the total amount deducted shall not exceed 8 000 Reichsmarks. The following amounts are however exempted, when the total amount remaining exempt in accordance with letters a) to e) below is larger than the total amount remaining exempt in accordance with sentence 1:

a)	for the wife	100 Reichsmarks
b)	for the first child	100 "
c)	for the second child	180 "
d)	for the third child	360 "
e)	for the fourth and each successive child	450 Reichsmarks each.

Children of more than 18 years of age, drawing income within the meaning of § 6 paragraph 1 figure 3 or 4, shall not be included.

(2) Where the taxable period is less than one year, or where the income of the taxpayer, of his wife, and of his children who have not yet attained their majority, are not assessed together, or are not assessed together for the whole year, in conformity with §§ 22 and 23, the amounts indicated in paragraph 1 shall be reduced in the proportion borne by the number of complete months, for

which the income is assessed separately or together, to the twelve months of the year.

(3) The amounts indicated in paragraphs 1 and 2 may not be deducted, if they were taken into consideration when the amount of the Tax was deducted automatically from the wages at the source.

§ 53.

(1) When the income of the taxpayer is derived entirely or partially from wages, those amounts shall be deducted in every case from the wages, which are exempted in accordance with § 70 paragraph 1 when the tax is automatically deducted at the source.

(2) Where the income of a taxpayer is derived principally from wages, the amounts specified in § 70 paragraph 2 shall be substituted for the amounts specified in § 52 paragraph 1 figure 2, in so far as the first 8 000 Reichsmarks of the income are concerned.

§ 54.

For the purpose of assessing the Income Tax, income reduced in accordance with the provisions of §§ 51 to 53 shall be rounded off to the nearest ten Reichsmarks below

the actual figure.

§ 55.

The Income Tax amounts:

for the first 8 000 Reichsmarks of the
income or part of such sum,
to 10 per cent;

for the next additional 4 000 Reichsmarks
of the income or part of such sum,
to 12 1/2 per cent;

for the next additional 4 000 Reichsmarks
of the income or part of such sum,
to 15 per cent;

for the next additional 4 000 Reichsmarks
of the income or part of such sum,
to 20 per cent;

for the next additional 8 000 Reichsmarks
of the income or part of such sum,
to 25 per cent;

for the next additional 18 000 Reichsmarks
of the income or part of such sum,
to 30 per cent;

for the next additional 34 000 Reichsmarks
of the income or part of such sum,
to 35 per cent;

for any further amounts of the income
to 40 per cent.

§ 56.

(1) When assessing Income Tax, allowance may be made by reduction or rebate of the said Tax, where economic conditions are present which prejudice the capacity to pay of the taxpayer, provided that his income does not exceed 30 000 Reichsmarks. Conditions of this nature are inter alia: extraordinary charges arising out of the maintenance, education or preparation for a profession of children; legal or moral obligations to maintain needy dependents even although they do not form part of the household of the taxpayer; sickness, bodily injuries, debts, accidents (including exceptional damage due to bad harvests and floods), or special expenditure incurred in a household where a widow with children under age is obliged to earn her living.

(2) In execution of paragraph 1 the reductions prescribed in § 52 paragraph 1 figure 2 may also be allowed:

a) for the wife and children under age, not forming

part of the household of the taxpayer;

b) for the illegitimate children of the taxpayer, not having attained their majority, and not forming part of his household,

where such persons are entirely or mainly maintained by the taxpayer.

§ 57.

Where the income of a taxpayer with unrestricted liability includes profits from participatory rights in a limited liability company with unrestricted liability to pay Corporation Tax, and the total income of the said taxpayer does not exceed 20 000 Reichsmarks, the Income Tax shall be reduced by 10 per cent of the profits, but not more than 10 per cent per 5 000 Reichsmarks.

§ 58.

(1) Where income exceeds the amount of 8 000 Reichsmarks per annum, and includes extraordinary incomings which do not recur at regular intervals, together with incomings representing remuneration for activities covering several years, the Tax shall be reduced upon the request of the taxpayer according to the rates prescribed in paragraph 2.

part of the household of the taxpayer;

b) for the illegitimate children of the taxpayer, not having attained their majority, and not forming part of his household,

where such persons are entirely or mainly maintained by the taxpayer.

§ 57.

Where the income of a taxpayer with unrestricted liability includes profits from participatory rights in a limited liability company with unrestricted liability to pay Corporation Tax, and the total income of the said taxpayer does not exceed 20 000 Reichsmarks, the Income Tax shall be reduced by 10 per cent of the profits, but not more than 10 per cent per 5 000 Reichsmarks.

§ 58.

(1) Where income exceeds the amount of 8 000 Reichsmarks per annum, and includes extraordinary incomings which do not recur at regular intervals, together with incomings representing remuneration for activities covering several years, the Tax shall be reduced upon the request of the taxpayer according to the rates prescribed in paragraph 2.

(2) The Tax on income, not being income of the nature indicated in paragraph 1, will be calculated separately in accordance with § 55; to the resulting amount shall be added as Tax on the income indicated in paragraph 1:

a) in the case of amounts received within the meaning of §§ 9, 38, 51 and 79 of the Law of August 4,1921, governing Relief Grants to Members of the Defence Forces (Wehrmachtversorgungsgesetz: see Reichsgesetzblatt page 993) as amended by the Law of June 22, 1923, (Reichsgesetzblatt I page 409), 10 per cent of this part of the income; further

b) where the income does not exceed 30 000 Reichsmarks, a minimum of 10 and a maximum of 15 per cent of the said part of the income;

c) where the income exceeds 30 000 Reichsmarks, a minimum of 15 and a maximum of 20 per cent of the said part of the income.

(3) The following shall be deemed to be extraordinary incomings not recurring at regular intervals within the meaning of the present provision:

1. income derived from the conveyance by sale or transfer of a trading and commercial undertaking within the

meaning of § 30; but such income shall not include the profits accruing in accordance with the provisions of §§ 6 to 25 for the period between the last assessment and the date of conveyance:

2. compensation within the meaning of § 44 figure 1;

3. interest accruing in accordance with §§ 14, 34 and 43 of the Law of July 16,1925, for the Liquidation of Public Debt (Gesetz über die Ablösung öffentlicher Anleihen; see Reichsgesetzblatt I page 137) upon the redemption of claims to participate in drawings (Auslosungsrechte).

§ 59.

(1) In the case of income derived from forest undertakings, the tax for extraordinary forest usufructs shall upon the request of the taxpayer be assessed separately in accordance with § 55, and added to the tax amount assessed for the remaining part of the income in accordance with § 55. In this connection abatements in accordance with § 52 may only be granted on the tax for forest usufructs, where the latter have not already been considered when the tax on the remaining income was assessed. All forest usufructs of an economic character shall be deemed indiscriminately to be extraordinary forest usufructs

within the meaning of the undertaking, when they are in excess of the usufructs regularly allowed each year according to the usual principles upon which forest undertakings are run.

(2) In the case of extraordinary forest usufructs granted as compensation for losses owing to acts of God, (ice, snow, windfall, blight of caterpillers or fire) the provision of paragraph 1 shall apply mutatis mutandis, whatever may be the nature of the undertaking, subject to the proviso that that part of the Income Tax due according to paragraph 1 on the extraordinary usufructs is reduced by half the amount.

§ 60.

(1) In the case of taxpayers with restricted liability (§ 3), income of the nature indicated in § 3 paragraph 2 b figures 4 to 11, not being derived from an agricultural, forest or commercial undertaking, shall be taxed to the extent of 10 per cent, even although the said income exceeds 8 000 Reichsmarks.

(2) The provisions of §§ 50 to 53 and § 56 do not apply to taxpayers with restricted liability (§ 3).

VI. PROCEDURE.

1. General Provisions.

§ 61.

(1) The obligation to make a declaration of income applies to:

1. taxpayers whose income during the taxable period is in excess of 8 000 Reichsmarks;

2. taxpayers whose profits are assessed in accordance with the closing figures in their books, without regard to the amount of their income;

3. taxpayers who are specially required to do so by the Finanzamt (Revenue Office) without regard to the amount of their income.

The Finance Minister of the Reich shall issue detailed regulations concerning the extent and substance of the Declaration for the Tax, and the date on which payment is to be effected. The obligation may be extended so as to include a declaration as to the amount of consumption. Taxpayers, who are not under obligation to submit a Declaration for the Tax, may do so nevertheless within the period

generally fixed for submitting Declarations.

(2) For purposes of determining the average rates (§ 46) the Revenue authorities, acting in accordance with executive regulations to be issued by the Finance Minister of the Reich, may call for information, expert opinions and other documents, even before the date for assessment of the Tax has actually arrived. All rights appertaining to the Finanzämter (Revenue Offices) in matters of tax assessment and tax control may be exercised in a corresponding manner by the Revenue authorities when determining the average rates to be adopted.

§ 62.

(1) In accordance with detailed regulations to be issued by the Finance Minister of the Reich, taxpayers are under obligation to state whether they were assessed for Income Tax for the last taxable period, and are liable to be required to make anticipatory payments during the current taxable period, or to have their amount for the Tax deducted automatically at the source. Such regulations may prescribe an obligation or obligations to notify particular details or to present special statements showing the degree to which obligations under the Tax have been fulfilled.

(2) The Finance Minister of the Reich prescribes

the procedure to be followed for the execution of the provision contained in paragraph 1 above.

(3) The regulations, for which provision is made in paragraphs 1 and 2, require the approval of the Reichsrat.

§ 63.

(1) Any person employing other persons against payment of a salary, wage or other form of emolument for a period exceeding two months is under obligation, in accordance with detailed instructions to be issued by the Finance Minister of the Reich, to furnish the Finansamt (Revenue Office) with the name, position and address of each of the said employees together with the amount of their income which they derive from him.

(2) The governing bodies of corporations and associations of all kinds, and the heads of all departments, public authorities and institutions in the public service, are under the same obligation to report the sums received on account of salaries, pensions and other classes of remuneration by their officials, employees, workers and the recipients of old-age pensions, widows' and orphans' pensions or contributions to maintenance.

§ 64.

The Finanzamt (Revenue Office) shall inform the taxpayer in writing of the results of the assessment, when such assessment has shown him to be liable to pay Income Tax.

2. Assessment as one unit of income where several parties participate.

§ 65.

(1) The following shall be assessed as one unit:

1. in the case of agricultural and forest undertakings (§ 6 paragraph 1 figure 1), the whole of the profits obtained in the undertaking (§ 7 paragraph 2 figure 1) where the undertaking is carried on by several persons for a common account;

2. in the case of trading and commercial undertakings (§ 6 paragraph 1 figure 2), the business profits of a company or community of interests, in which several persons participate as partners (co-partners of the undertaking);

3. in the case of all other classes of occupation (§ 6 paragraph 1 figure 3), the profits (§ 7 paragraph 2 figure 1) in so far as several persons are

entitled to participate therein;

4. in the case of the renting or leasing of real estate (§ 38 paragraph 1 figure 1), the surplus of incomings over outgoings (§ 7 paragraph 2 figure 2), in so far as the said surplus belongs to several persons in virtue of ownership or usufructuary rights in the said real estate.

(2) The provisions of paragraph 1 above shall apply only where the real estate (paragraph 1 figures 1 and 4) is situate in Germany or registered in a German Public Book or Register, or when the company or community of interests (paragraph 1 figure 2) has its registered office or place of management in Germany. In cases of lesser importance the above provisions need not apply.

(3) Where the company or community of interests ceases to exist before assessment has been completed, they shall be considered to be still existent for purposes of completing the assessment.

(4) The Finance Minister of the Reich shall issue detailed executory regulations, in particular with regard to questions of competency.

§ 66.

(1) A written Notification (Notification of Assessment) shall be forwarded indicating the amount of the profits or surplus assessed (§ 65 paragraph 1). The Notification of Assesament shall rank as an Income Tax Notice within the meaning of the Reichsabgabenordnung.

(2) In the cases indicated in § 65 paragraph 1 figure 2, the only parties entitled to lodge appeals - apart from the head Official of the Revenue Office (§ 245 and § 265 of the Reichsabgabenordnung) - are partners of the company or community of interests, and of these such only as are invested with powers of management.

(3) In the cases indicated in § 65 paragraph 1 figures 1, 3 and 4, any one of the persons jointly entitled to participate in the profits or surplus is authorised to lodge an appeal. Several appeals on the same grounds shall be amalgamated. Decisions on appeal are effective for and against all the persons jointly entitled to such profits and surpluses.

§ 67.

(1) The amount given in the Notification of Assessment shall be taken as a criterion for the assessment for Income Tax of each one of the partners or persons jointly entitled

to the said profits or surpluses, even although the said Notification of Assessment may not yet have become incontestable. The Income Tax Notice may not be contested on the ground that the total profits (§ 65 paragraph 1 figures 1, 2 and 3) or the total surplus of incomings over outgoings (§ 65 paragraph 1 figure 4) have been incorrectly assessed in the Notification of Assessment.

(2) Where after presentation of the Income Tax Notice the Notification of Assessment is modified by a decision on appeal, a new assessment, adjustment or other order, and has become incontestable in its modified form, the Income Tax Notice shall be correspondingly amended by the competent authorities, even although it may already have become incontestable.

VII. PAYMENT OF THE TAX.

§ 68.

In so far as the Tax is not collected by means of the automatic deduction of the amount at the source from salaries and wages as prescribed in §§ 69 to 82, or from income from capital as prescribed in §§ 83 to 88, anticipatory payments and final payments shall be effected in accordance with §§ 95 to 103.

1. Deduction of the Tax at the source from Salaries and Wages.

§ 69.

(1) Where income is derived from dependent occupations (salaries and wages), the Tax shall be collected by the retention of a portion of the said salaries or wages (deduction of the tax at the source from salaries and wages); the tax shall be deducted by the employer at the source.

(2) Where the salaries or wages are composed entirely or partially of contributions in kind, and the cash wage is not sufficient to cover the amount of the Tax found to be due when the value of the contributions in kind has been ascertained, the employee shall pay to the employer the amount required to cover the Tax in so far as his salary or wage in cash is not sufficient for the purpose. If the employee does not fulfil this obligation, the employer shall retain a part of the contributions in kind at his own choice corresponding to the value of the amount, and shall cover the Tax out of the said sum.

§ 70.

(1) The following amounts shall be left out of account when the salary or wage of the employee is being considered

for purposes of deduction of the Tax at the source:

a) 600 Reichsmarks a year (50 Reichsmarks a month, 12 Reichsmarks a week), as the amount of wage exempt from taxation;

b) 180 Reichsmarks a year (15 Reichsmarks a month, 3.60 Reichsmarks a week) as compensation for Werbungskosten (§ 15 paragraph 1 figure 1 and § 16 paragraph 1 and paragraph 5 figures 4 and 5);

c) 180 Reichsmarks a year (15 Reichsmarks a month, 3.60 Reichsmarks a week) as compensation for extraordinary outgoings (§ 17).

(2) Apart from the amounts indicated in paragraph 1 above there shall remain exempt from deduction of the Tax at the source, 10 per cent of the salaries or wages remaining after deduction of the amounts indicated in the said paragraph 1, on account of the wife of the taxpayer and the children who have not yet attained their majority residing in his household (§ 23 paragraph 2). The following amounts shall however be exempt from the Tax if the total amount, for which exemption is allowed under figures 1 to 5 below, is higher than the total amount for which exemption is allowed under sentence 1 above:

1. for the wife, 120 Reichsmarks a year (10 Reichsmarks a month, 2.40 Reichsmarks a week);

2. for the first child, 120 Reichsmarks a year (10 Reichsmarks a month, 2.40 Reichsmarks a week);

3. for the second child, 240 Reichsmarks a year (20 Reichsmarks a month, 4.80 Reichsmarks a week);

4. for the third child, 480 Reichsmarks a year (40 Reichsmarks a month, 9.60 Reichsmarks a week);

5. for the fourth and each subsequent child, 600 Reichsmarks a year (50 Reichsmarks a month, 12 Reichsmarks a week).

Children of more than 18 years of age drawing income within the meaning of § 6 paragraph 1 figure 3 or 4 shall not be included.

(3) When paying the salary or wage to the employee, the employer shall retain as Tax for the account of the employee 10 per cent of that moiety of the salary or wage in excess of the amounts which may be legally deducted in virtue of paragraphs 1 and 2.

(4) The amount of the Tax due on salaries and wages shall not be levied, if it does not exceed:

a) 0.80 Reichsmarks a month, where the salaries and wages are paid for periods of complete months;

b) 0.20 Reichsmarks a week, where the salaries and wages are paid for periods of complete weeks.

(5) The Finance Minister of the Reich is empowered to issue executive regulations for rounding off the amounts to be retained, and to fix lump sums to be deducted at the source from the salaries or wages of the persons mentioned in § 2 figure 2 and § 3.

§ 71.

Without prejudice to the provision of § 72 hereafter, the position of the family of the employee upon the fixed date prescribed by the Finance Minister of the Reich for the last census shall be taken as the position upon which to calculate the amounts which may be deducted in virtue of § 70 paragraph 2 above.

§ 72.

(1) Where the employee can prove that the number of persons, by which the amount of the Tax deducted at the source from his salary or wages is reduced in virtue of § 70 paragraph 2, is greater than that entered on his Tax Card, the Communal authorities shall upon his request note the fact on the said Tax Card. In such case the reduction for the additional person shall come into force

as from the date of the first salary or wage payment effected upon presentation of the completed Tax Card.

(2) Where the presumed conditions for reductions in virtue of § 70 paragraph 2 above are no longer present on October 10 of a calendar year, the Finanzamt (Revenue Office) shall amend the Tax Card accordingly. The Finanzamt may for this purpose call upon the employee to present his Tax Card for amendment. The said amendment shall come into force upon the date of the first salary or wage payment following such entry on the Tax Card, but not before January 1 of the following calendar year.

§ 73.

Where an employee has sources of income in addition to his regular salary or wage, more especially non-recurring emoluments such as fees, bonuses, etc., there shall be retained 10 per cent of such additional income, less 1 per cent for the wife, and 1 per cent for each of the children who has not yet attained his majority residing in the household of the said employee (§ 23 paragraph 2). The provisions contained in § 70 paragraph 1 to 4 do not apply in this case.

§ 74.

(1) Where the salary or wage is not paid for a fixed

period of time, the employer shall retain 2 per cent of the entire salary or wage, and in the case of home workers 1 per cent. The provisions of § 70 paragraphs 1 to 4 do not apply in this case.

(2) The Finance Minister of the Reich is empowered to issue executive provisions regulating the extent to which a deduction of the Tax at the source from wages shall be waived in the case of those home workers specified in paragraph 1, whose wages do not exceed the limits allowed for exemption in § 70 paragraphs 1 and 2.

§ 75.

The following may be increased upon request:

1. the amount of the salary or wage to be exempt from the Tax in virtue of § 70 paragraph 1 a, if the presumed conditions for the application of § 56 are found to be present;

2. the amounts for which provision is made in § 70 paragraph 1 b and c, if the employee can supply proof that the Werbungskosten (§ 15 paragraph 1 figure 1, and § 16 paragraph 1 and paragraph 5 figures 4 and 5) or the extraordinary outgoings (§ 17 amount respectively to more than 15 Reichsmarks a month.

§ 76.

(1) The employee is under obligation to procure a Tax Card from the Communal authorities before the beginning of each calendar year or before taking up new service.

(2) The employee shall hand his Tax Card to his employer at the beginning of each calendar year or upon commencing his service with the said employer. The employer shall take charge of the Tax Card for the period of time during which the said worker remains in his employ, and shall hand it back to the employee at the end of the calendar year or upon termination of the period of service.

(3) The Finance Minister of the Reich may decree exceptions to the provisions of paragraphs 1 and 2.

§ 77.

The employer shall transmit to the Finanzkasse (Revenue Cash Office) in cash or by transfer the amounts of the Tax retained by him in virtue of §§ 70, 73 and 74. The Finance Minister of the Reich may decree procedure contrary to the above; he may in particular prescribe that tax stamps for equivalent amounts be pasted on the Tax Cards and cancelled.

§ 78.

(1) The employer is liable conjointly with the employee to the Reich for the retention and transmission of the sums as prescribed in §§ 70, 73 and 74.

(2) The liability of the employee is restricted to cases in which:

1. the salary or wage has not been reduced in accordance with the regulations;
2. the employer has not utilised the sums retained by him in accordance with the regulations, and the fact is known to the employee; in this case the liability of the employee ceases upon his reporting the matter without delay to the Finanzamt (Revenue Office).

§ 79.

The Finanzamt (Revenue Office) shall decide upon the request of one of the interested parties whether and to what extent the provisions of §§ 69 to 77 shall be applied in individual cases. Appeal against a decision of the Finanzamt may only be made to the Landesfinanzamt (Provincial Revenue Office).

§ 80.

The departments responsible for the public insurance systems of the Reich in accordance with the provisions of the Fundamental Law regulating the Public Insurance Systems of the Reich (Reichsversicherungsordnung), and the departments responsible for public insurance in accordance with the provisions of the Law regulating the Insurance of Employees (Angestelltenversicherungsgesetz), are under obligation to render all necessary services to the Revenue authorities in the execution of the provisions of §§ 69 to 77, and of the work of verification and control devolving on the Finanzämter (Revenue Offices). The provisions contained in § 142 of the Reichsversicherungsordnung and § 346 of the Angestelltenversicherungsgesetz do not apply in so far as the foregoing obligation is concerned.

§ 81.

Where by legal provision the assessment for Income Tax is allowed as a basis for the rights in respect of taxation of corporations under Public Law, and where that moiety of the Income Tax which is due on salaries and wages is not assessed, the amounts which are retained in virtue of §§ 70, 73 and 74, and transmitted or utilised in accordance with the regulations in virtue of § 77, shall be deemed to

have been assessed. Where the amounts retained on salaries and wages are not fixed during the first years after the coming into force of the present Law, lump sum payments may be substituted therefor. Where the Governments of the Federal States fix lump sums as a basis for the assessment of the Ecclesiastical Tax (Kirchensteuer), they shall issue the necessary executory regulations in agreement with the Finance Minister of the Reich, after hearing the organisations concerned. Where, in a Federal State in which an Ecclesiastical Tax is levied in the form of surtaxes on the Income Tax, the Government of that State shall not have fixed the amount of the lump sums in sufficient time, the Finance Minister of the Reich is empowered to fix the said amounts, with the assent of the Reichsrat, after hearing the organisation concerned.

§ 82.

The Finance Minister of the Reich shall issue the required regulations for the execution of the provisions contained in §§ 69 to 81.

2. Deduction of the Tax at the source from Income from Capital.

§ 83.

(1) Income Tax shall be collected from the following

categories of German income from capital by the retention of 10 per cent (deduction of the Tax at the source from income from capital);

1. dividends, interest, exploitation and other profits derived from shares, mining shares (Kuxe), Genussscheine (warrants entitling the holder to compensation for present loss out of future profits), and shares in the Reichsbank, colonial companies, mining associations having the rights of a juridical person, and co-operatives, in the case of the last named where interest exceeds 10 Reichsmarks per annum per member;

2. income from participation as sleeping partner in a commercial undertaking;

3. interest on loans and stock registered in Public Stock Books or in respect of which bond certificates are issued, where the registration in the Public Stock Books or the issue of bond certificates occurred after the introduction of the Rentenmark on November 15, 1923, or the loans and stock were constant value loans and stock.

(2) Income from capital is deemed to be German income from capital where the registered office or place of management of the person or undertaking, from whom or which the

said income is derived, is situate within German territory.

(3) The Tax on income from capital (paragraph 1 above) shall be deducted at the source, even although the said income from capital is derived from an agricultural, forestry or trading and commercial undertaking.

(4) Special remuneration or privileges accorded in addition to, or in lieu of, income from capital of the nature indicated in paragraph 1 above, shall rank as income from capital within the meaning of the said paragraph 1.

§ 84.

The Tax on income from capital shall not be deducted at the source from interest, dividends and other profits of the nature specified in § 83 paragraph 1 figures 1 and 3, where the recipient and the person or undertaking, from whom or which he receives such sources of emolument, are one and the same person.

§ 85.

(1) The Tax on income from capital shall be collected from the person or undertaking from whom or which the said income is derived.

(2) The entire amount of the income from capital is subject to deduction of the Tax at the source, no allowance being made for interest on debts, Werbungskosten (§ 16) and the amount to be deducted for the Tax.

§ 86.

The person or undertaking, from whom or which the income from capital is derived, shall retain the amount of the Tax for the account of the recipient of the income upon the due dates of payment of the said income, and shall transmit the amount thus retained within one week after the due date to his or its competent Finanzamt (Revenue Office). The said person or undertaking shall transmit the amount retained, even although the recipient fails to claim the income on capital due to him.

§ 87.

Where the person or undertaking, from whom or which the income from capital is derived, assumes responsibility for the Tax in favour of a recipient without place of residence, registered office or place of management in Germany, the Tax shall be estimated without regard to any such agreement.

§ 88.

The provisions of § 78 concerning the liability of

employer and employee apply mutatis mutandis to the liability of the person or undertaking, from whom or which the income from capital is derived, and the liability of the recipient of such income.

3. Assessment of Income Tax from which deductions are liable to be made at the source on account of the Tax.

§ 89.

Where the total income of a taxpayer, as rounded off in accordance with § 54, does not exceed 8 000 Reichsmarks and consists either of incomings, upon which the Tax has been deducted at the source in virtue of §§ 69 and 83, or partly of such incomings and partly of other income for an amount not exceeding 500 Reichsmarks, there shall be no assessment for the Tax.

§ 90.

Where the total income of a taxpayer, as rounded off in accordance with § 54, does not exceed 8 000 Reichsmarks, and consists partly of incomings upon which the Tax has been deducted at the source in virtue of §§ 69 and 83, and partly of other income, and such other income exceeds 500 Reichsmarks, the other income alone shall be assessed as if it were the total income. In this connection no allowance shall be made for outgoings as specified in §§ 15 to 17, where they are in

economic connection with the salary or wage of the taxpayer, or where allowance has already been made for them in virtue of § 75 figure 2 by the increase of the amounts prescribed in § 70 paragraph 1 b or c. The amounts prescribed in § 52 may only be deducted from the other income to the extent to which they are in excess of the amount for which allowance has been made in accordance with § 70 paragraph 1 a and paragraph 2.

§ 91.

In the cases specified in §§ 89 and 90, the Tax due on the salary or wage or income on capital liable to deduction of the Tax at the source is deemed to have been paid by the employee or recipient, when the liability of the said employee or recipient ceases in accordance with §§ 78 and 88. Nevertheless, the liability of the employer, or of the person or undertaking from whom or which the income on capital is derived, shall not cease until such time as the amounts retained in virtue of §§ 70, 73, 74 and 83 have been duly transmitted or utilised in accordance with the regulations.

§ 92.

Where the income of a taxpayer, as rounded off in

accordance with § 54, exceeds the sum of 8 000 Reichsmarks, the incomings already taxed at the source under the headings salary or wages and income from capital shall also be assessed.

§ 93.

(1) Where the salary or wages are not assessed, the amounts retained upon them shall upon request be refunded, if

1. the amounts specified in § 70 paragraphs 1 and 2 were not considered to their full extent, when the Tax was being deducted at the source; or

2. the special economic conditions specified in § 56 are present, in so far as account has not been taken of them by increasing the amount of the salary or wage exempt from taxation in accordance with § 75 figure 1;

3. the Werbungskosten (§ 15 paragraph 1 figure 1, and § 16 paragraph 1 and paragraph 5 figures 4 and 5) or the extraordinary outgoings (§ 17) exceed respectively the sum of 50 Reichsmarks in the calendar quarter, and have not yet been taken into account in accordance with § 75 figure 2.

The above provision also applies where the salary or wage is not paid for a fixed period of time, and the Tax has been deducted at the source in accordance with § 74.

(2) A request may be lodged in each case for the calendar quarter. It must be submitted at the latest by March 31 for the preceding calendar year; § 68 of the Reichsabgabenordnung applies mutatis mutandis.

(3) There shall be refunded the difference between the amount of Tax retained and the amount of the Tax which would have resulted, had the sums specified in paragraph 1, figure 1, or the facts specified in paragraph 1 figures 2 and 3, been considered to their full extent when the Tax was deducted at the source in accordance with § 70 paragraphs 1 and 2, and § 75.

(4) Quarterly amounts under 1 Reichsmark, and annual amounts under 4 Reichsmarks, shall not be refunded.

§ 94.

Where the total income of a taxpayer, as rounded off in accordance with § 54, does not exceed the amount of 1 100 Reichsmarks, and includes incomings which have been taxed at the source, as being income from capital, the amounts retained on account of the Tax shall be refunded, if they exceed 5 Reichsmarks a quarter.

4. Anticipatory and Final Payments.

§ 95.

Pending receipt of an Income Tax Notice (§ 64) for a taxable period, the taxpayer shall effect anticipatory payments on account of his liability to the Tax, for the period in question, on February 15, May 15, August 15 and November 15 to the extent of one quarter respectively of the last assessed amount of his Tax. Taxpayers who derive their income principally from agriculture shall effect their anticipatory payments to the extent of one-half of the last assessed amount of their tax on November 15, and to the extent of one quarter of the said assessed amount on February 15 and May 15 respectively. The Finance Minister of the Reich is empowered to fix other dates for effecting anticipatory payments in the case of undertakings of a special nature, such as horticultural concerns. An anticipatory payment shall be deemed an anticipatory payment for the taxable period in which the prescribed date of payment falls.

§ 96.

Where assessment has been effected in accordance with § 92, the taxpayer shall make anticipatory payments in conformity with § 95, pending receipt of the next Income Tax Notice, only to the extent to which his liability to the

Tax is not covered by the amount of tax deducted at the source for the taxable period for which assessment has been effected.

§ 97.

Where the taxable period covered by the Income Tax Notice (§§ 64 and 95) is less than one year, the anticipatory payments shall be determined pro rata in proportion to the tax which would be due for twelve months.

§ 98.

Where a liability to pay the Tax arises afresh, the anticipatory payments due in conformity with § 95 until receipt of the first Income Tax Notice shall be fixed in proportion to the income that will probably be received during the year following that in which the liability arose.

§ 99.

(1) Where the income of a taxpayer is likely to increase during a taxable period by more than one-fifth of the last assessed income, or by a minimum amount of 2 000 Reichsmarks, the anticipatory payments due in virtue of § 95 may be re-determined.

(2) Where, owing to changed economic conditions, income

to an amount exceeding 2 000 Reichsmarks, which is not liable to deduction of the Tax at the source, is substituted for income liable to such deduction, the anticipatory payments due pending receipt of the next Income Tax Notice may be re-determined on the basis of the probable income for the year following the change in the conditions.

§ 100.

(1) Where a taxpayer represents credibly that his income during a taxable period is likely to be reduced during a taxable period by more than one-fifth and not less than 1 000 Reichsmarks, he shall upon his request be granted a respite for that moiety of the anticipatory payments which corresponds to the probable reduction of income.

(2) Where a taxpayer represents credibly that, owing to changed conditions, income liable to deduction of the Tax at the source is likely to be substituted for other income, and that the reduction in such other income will amount to at least 500 Reichsmarks, he shall upon his request be granted a respite in respect of the anticipatory payments for the amount by which they exceed the probable amount of Income Tax on the assessable income.

§ 101

(1) The Finanzamt (Revenue Office) shall fix the amounts of anticipatory payments to be effected in virtue of §§ 97 to 99; a co-operation of the Committees for which provision is made in § 25 of the Reichsabgabenordnung is not necessary.

(2) The Finanzamt shall transmit a notice in writing to the taxpayer indicating the amount of the anticipatory payments. The notice indicating the amount of the anticipatory payments may be combined with the Income Tax Notice within the meaning of § 64.

(3) Appeal against decisions concerning anticipatory payments can only be made by lodging a petition within the meaning of §§ 224 and 281 of the Reichsabgabenordnung.

§ 102.

(1) The following amounts shall be credited against the amount of the Tax assessed in accordance with § 25 for the taxable period:

1. the anticipatory payments effected in conformity with § 95 on the Tax due for the taxable period;

2. the amounts retained in conformity with §§ 70, 73, 74 and 83, in so far as they were retained on incomings which were subjected to deduction of the

Tax at the source in virtue of §§ 69 and 83 and assessed in accordance with § 92.

(2) Where the amount of the Tax due is in excess of the amounts credited in accordance with paragraph 1, payment of the excess amount must be effected within one month from presentation of the Income Tax Notice (Final Payment). The prior obligation to pay amounts in arrears remains unaffected by the above.

(3) Where the amounts credited against the Tax in accordance with paragraph 1 are in excess of the amount of the Tax as finally assessed, they shall be rebated in accordance with the assessment, immediately the assessment becomes incontestable.

§ 103.

(1) Where personal liability for the Tax ceases, the taxpayer shall give security for the final payment at the latest by the date on which his liability ceases. In such case, the Finanzamt (Revenue Office) may fix the Tax due at a lump figure; a co-operation of the Commitetees for which provision is made in § 25 of the Reichsabgabenordnung is not necessary. The provision contained in § 101 paragraph 3 applies mutatis mutandis.

(2) The provision of paragraph 1 does not apply, when

the liability for the Tax ceases owing to the death of the tax payer.

VIII. TRANSITIONAL AND CONCLUDING PROVISIONS.

§ 104.

At the first assessment in virtue of the present law the values specified in § 19 paragraphs 2 and 3 sentence 2 shall be determined for the beginning of the taxable period, in accordance with the provisions of §§ 105 to 110, in cases where a comparison of the values of property at different dates is made (§§ 12 and 13) or deductions are allowed for depreciation or diminution of substance (§ 16 paragraphs 2 to 4).

§ 105.

(1) In the case of taxpayers who are obliged under the provisions of the Commercial Code (Handelsgesetzbuch) to keep trade books, or who keep such books in accordance with the said provisions although under no obligation to do so, the balance sheet under Commercial Law shall be taken as a basis for assessing the assets of the business capital, save in so far as otherwise provided in §§ 106 to 108.

(2) The balance sheet under Commercial Law within the meaning of paragraph 1 above shall be deemed to be:

1. in the case of tax payers whose business year coincides with the calendar year, the balance sheet under Commercial Law established for December 31, 1924;

2. in the case of tax payers whose business year does not coincide with the calendar year;

a) where the opening balance sheet was drawn up in gold marks in accordance with § 2 paragraph 2 of the Decree relating to Gold Balance Sheets of December 28, 1923 (Verordnung über Goldbilanzen; see Reichsgesetzblatt I page 1253) for the beginning of the business year 1924/25, the said opening balance sheet;

b) where the opening balance sheet was drawn up in gold marks before the beginning of the business year 1924/25, the balance sheet under Commercial Law for the end of the business year immediately preceding the taxable period 1924/25.

§ 106.

In the case of objects or assets of the business

capital purchased or produced since December 31, 1923, the actual purchase price or cost of production shall be entered, without prejudice to the provision of § 108 hereafter; the provisions of § 16 paragraphs 2 to 4 and of § 19 paragraph 2 sentence 2 are applicable.

§ 107.

(1) The provisions of paragraphs 2 and 3 apply without prejudice to the provision of § 108 to the figures to be entered for objects and assets purchased or produced prior to January 1, 1924.

(2) Built-on land sites forming part of the invested capital shall not be entered for more than their common (market) value at the beginning of the taxable period. The remaining objects or assets forming the invested capital shall not be entered for more than the amount in gold marks, reduced by one-third, which they would have cost to purchase or produce on the date fixed for the establishment of the opening balance (§ 4 paragraph 3 of the Second Decree in Execution of the Decree relating to Gold Balance Sheets of March 28, 1924 - Zweite Verordnung zur Durchführung der Verordnung über Goldbilanzen: see Reichsgesetzblatt I page 385). Deductions shall be made from the amounts resulting from sentence 2 for depreciation

...

(§ 16 paragraphs 2 to 4) in proportion to the age and length of life of the objects or assets in question.

(3) Merchandise, products and stocks, together with other objects and assets belonging to the liquid business capital, shall not be entered for more than the amount which they would have cost, had they been purchased or produced at the beginning of the taxable period.

§ 108.

(1) Claims and debts subject to revalorisation in virtue of the Revalorisation Law (Aufwertungsgesetz) of July 16, 1925, (Reichsgesetzblatt I page 117) shall be entered for the value, which they would have on the prescribed date (§ 104) in virtue of application of the principles of the said Revalorisation Law.

(2) Objects and assets of the business capital, which formed part of the estate of the tax payer on the date fixed for assessing the Tax on Real and Personal Property (Vermögenssteuer) for 1925, shall not be entered for a higher value than the value for which they were assessed for Income Tax for the calendar year 1925, whether they were purchased or produced before or after January 1, 1924; the above provision does not apply to partners' shares in a trading company which have been

assessed for the Tax on Real and Personal Property to the extent of one half only of the established taxable market value or calculated selling value (§ 43 of the Assessment Law of the Reich - Reichsbewertungsgesetz).

(3) Where objects or assets are entered in the balance sheet under Commercial Law for a value inferior to the maximum values prescribed in §§ 106 and 107, they shall at the request of the tax payer be entered for the said maximum values but in no case for a higher value than that assessed for the Tax on Real and Personal Property (see paragraph 2 above).

§ 109.

In the case of tax payers other than those specified in § 105, who derive income of the nature indicated in § 6 paragraph 1 figures 1, 2 and 3, the provisions of §§ 106 to 108 apply mutatis mutandis to the fixation of values.

§ 110.

In the case of buildings and other assets not forming part of a business capital, the common (market) value of the object or asset on January 1, 1925, shall be taken as a basis for determining the permissible reduction for depreciation allowed under § 16 paragraphs 2 to 4.

§ 111.

The provision contained in § 59 paragraph 1 b of the Income Tax Law of March 29, 1920 (Reichsgesetzblatt page 359) as amended by the Law of March 20, 1923 (Reichsgesetzblatt I page 198) shall also apply to the subsidies to be granted for furthering the building of small dwellings until December 31, 1926, where the tax payer undertook at some date prior to January 1, 1925, to effect payment of the amounts in question.

§ 112.

In the case of taxpayers with an income of less than 15 000 Reichsmarks, and real and personal property of less than 50 000 Reichsmarks, the amount of 480 Reichsmarks allowed to be deducted in accordance with § 17 paragraph 2 on account of insurance premiums and invested savings, for which the taxpayer assumed liability during the years 1923 to 1926, shall be increased

a) to 960 Reichsmarks, if the tax payer is over 50 but not more than 55 years of age;

b) to 1 200 Reichsmarks, if the taxpayer is over 55 but not more than 60 years of age;

c) to 1 440 Reichsmarks, if the taxpayer is over 60 years of age.

The above provision does not apply where the taxpayer is entitled to claim or to expect a pension or other recurring grant exceeding 2 000 Reichsmarks per annum.

§ 113.

The time limit provided in § 10 paragraph 3 of the Provisional (Income and Corporation) Tax Law of May 29, 1925 (Steuerüberleitungsgesetz: see Reichsgesetzblatt I page 75) shall be extended to December 31, 1925.

§ 114.

Where Laws of the Reich or of the Federal States contain references to the provisions of the Income Tax Law hitherto in force, the corresponding provisions of the present Law shall be substituted therefor.

§ 115.

The Finance Minister of the Reich is empowered, with the assent of the Reichsrat and of a Committee of the Reichstag, to exempt from the restricted liability to the Tax until December 31, 1930, all incomings from loans which are payable abroad, and which are not allowed for quotation on German Stock Exchanges or Bourses.

§ 116.

The Finance Minister of the Reich, with the assent of the Reichsrat, shall issue the necessary provisions in Execution of the present law.

§ 117.

(1) Without prejudice to the provision contained in paragraph 4, the present law shall apply for the first time to the assessments for the 1925 calendar year or for the business years ending during the 1925 calendar year.

(2) The provisions contained in §§ 69 to 82 with regard to the deduction of the Tax at the source from salaries and wages shall apply for the first time to the salary or wage received as remuneration for services rendered after September 30, 1925.

(3) The provisions contained in § 83 paragraph 1 figure 2 shall apply for the first time to income from capital due subsequent to September 1, 1925.

(4) When assessing income for the first time in virtue of the present Law (paragraph 1) the following provisions shall be applicable in the case of all tax-payers liable to assessment for the Tax in connection with the reductions allowed according to the number of

persons in a family: for the period up to September 30, 1925, the provisions which, in virtue of § 21 of the Law of May 29, 1925, governing Taxation during the Transitional Period (Reichsgesetzblatt I page 75), have applied to the anticipatory payments of members of the liberal professions (Article I § 7 of the Second Steuernotverordnung - Second Emergency Tax Decree); for the period subsequent to September 30, 1925, a proportionate moiety of the amounts prescribed in § 52 paragraph 1 figure 2. That moiety of the income which is exempt from the Tax shall be determined on the basis of the amounts which, during the taxable period chosen as a standard, have been exempted when deductions of the Tax were effected at the source from salaries and wages. The Finance Minister of the Reich shall issue the necessary provisions in Execution of the above provisions.

Berlin, August 10, 1925.

The President of the Reich
von HINDENBURG

The Finance Minister of the Reich
von SCHLIEBEN

From the German
Translated - CFH
Checked - RB
AA

I.I.3122 Doc. No.132

Berlin, September 2, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE NEW TAXATION LAWS

(see Docs.66 and 67)

The Reichsgesetzblatt (Part I No.39) of August 15, 1925, publishes the text of the following nine new taxation Laws, all of which are dated August 10, 1925.

I. Assessment Law of the Reich (Reichsbewertungsgesetz).

II. Income Tax Law (Einkommensteuergesetz).

III. Corporation Tax Law (Körperschaftsteuergesetz).

IV. Law concerning the Tax on Real and Personal Property and the Tax on Successions (Gesetz über Vermögen- und Erbschaftsteuer).

V. Law in Amendment of the Taxes on the Movement of Capital and of Procedure therefor (Gesetz zur Aenderung der Verkehrsteuern und des Verfahrens).

VI. Law for Increasing the Beer and Tobacco Taxes (Gesetz über Erhöhung der Bier- und Tabaksteuer) and Decree regarding the

Taxation of Cigarettes (Verordnung über die steuerliche Belastung der Zigaretten).

VII. Law in Amendment of the Taxes on Consumption (Gesetz zur Aenderung von Verbrauchssteuern).

VIII. Law concerning the Reciprocal Taxation Rights of the Reich, the Federal States and the Communes (Gesetz über die gegenseitigen Besteuerungsrechte des Reichs, der Länder und der Gemeinden).

IX. Law amending the Finanzausgleich (Arrangement for the Allocation of Revenue) between the Reich, the Federal States and the Communes (Gesetz über Aenderungen des Finanzausgleichs zwischen Reich, Ländern und Gemeinden).

The above Laws in Bill form, as submitted by the Government in February and March, were analysed in Docs. 65, 66, 67 and 69.

The Provisional Income and Corporation Tax Law (Steuerüberleitungsgesetz), which was submitted in Bill form to Parliament along with the Bills mentioned above, was published in the Reichsgesetzblatt (Part I No.23) on May 31, 1925 and was discussed in Doc. 104.

A summary analysis of the above Laws in their final (Act) form, showing the changes made in the Bills, will be found below.

I. Assessment Law of the Reich (Reichbewertungsgesetz).

(see Docs 66, page 5 and 67 page 2)

The Law, as published in the Reichsgesetzblatt, confirms the more important provisions of the original Bill, more especially those prescribing that, for the purpose of assessing the Tax on Real and Personal Property (Vermögensteuer), in the case of private partnerships the capital is to be regarded as the property of the partnership (and not of the partners), that in the case of joint stock companies the share capital is to be regarded as the property of the company (the shareholders must reckon towards their capital half the value of the shares held by them), and that special privileges are to be accorded to holding companies.

The Law drops the special method for assessing property situate in foreign countries which figured in the Bill. Property situate abroad is only assessed as part of the taxpayer's total property, if the taxpayer is liable in respect of his total property (i.e., if he is a German national domiciled in Germany).

The Finance Minister of the Reich is directed under the Law to fix the rate of capitalisation for property which is assessed on the basis of yield (agricultural and other undertakings).

II. Income Tax Law (Einkommensteuergesetz).

(see Docs 66 page 7 and 67 page 5)

There is no change in the provisions of the Bill as regards the categories of persons liable to the tax, the forms of taxable income, the method of assessing the tax, the deduction at the source of the tax on income from capital and the payment of the tax. Changes have been made in the following matters :

1. Assessment on the basis of consumption (§ 49)

If the taxpayer's consumption is demonstrably greater than his taxable income by 50 per cent and, further, exceeds 15 000 RM. (instead of 8 000 RM. as proposed in the Bill), he is to be assessed on the basis of the value of his consumption.

2. Declaration of Income (§ 61)

The following are under obligation to make a declaration of income :

a. taxpayers whose income exceeds 8 000 RM.,

b. taxpayers whose income is assessed on the basis of their business books,

c. any taxpayer, if required to do so by the Finanzamt (Revenue Office).

3. Classification of Incomes.

a) Incomes exempted from the Tax.

Annual incomes amounting to less than the sums given below are exempted from the Tax:

Unmarried taxpayer	1 100 RM.
Married taxpayer	1 200 RM.
Married taxpayer with one child	1 300 RM.
Married taxpayer with two children	1 480 RM.
Married taxpayer with three children	1 840 RM.
Married taxpayer with more than three children	1 840 RM plus 450 RM. for every child in excess of 3 children.

Further, the taxpayer must deduct:

1. not less than 180 RM. representing "extraordinary outgoings" (Sonderleistungen), e.g. insurance charges, etc. (§ 51).

2. Not more than 600 RM. as a minimum abatement, in the case of his income not exceeding 10 000 RM.

b) The taxable income thus established is taxed in its different categories at the following rates (§ 55) :

Law (Act) of August 10,1925		Original Bill	
under 8 000 RM	10 %	under 8 000 RM.	10 %(1)
from 8 000 to 12 000 RM	12.5%	from 8 000 to 16 000 RM	15 %
" 12 000 to 16 000 "	15 %		
" 16 000 to 20 000 "	20 %	" 16 000 to 24 000 RM	20 %
" 20 000 to 28 000 "	25 %	" 24 000 to 48 000 RM	25 %
" 28 000 to 46 000 "	30 %	" 48 000 to 98 000 RM	30 %
" 46 000 to 80 000 "	35 %	over 98 000 RM	35 %
over 80 000 "	40 %		

As will be seen, the rates in the Law are graded much more steeply than those in the Bill. Further, the provision in the Bill whereby the total tax payment could not exceed 33.5 per cent of income, has been dropped in the Law, but remains lower than the one contained in the previous law of 1920 which went as high as 60 per cent.

c) Deductions on account of family responsibilities(2) (§§ 52)

A married taxpayer with children may deduct over and above

(1) Under the original Bill this rate of 10 per cent was reduced by 1 per cent for each dependant of the taxpayer (wife, children).

(2) The deductions on account of family responsibilities in favour of wage-earners are higher (see below - "automatic deduction of the tax from salaries and wages").

the afore-mentioned 600 RM., a sum equivalent to 8 per cent of his taxable income per head, such deduction not to exceed 540 RM. per head or 8 000 RM. for the entire family. The following deductions may however be made, if more favourable to the taxpayer :

for the wife	100 RM.
.. first child	100 RM.
.. second child	180 RM.
.. third child	360 RM.
.. fourth and each successive child	450 RM.

d) In the case of salaries and wages, the tax (Lohnabzug, §§ 69 and following) is paid by automatic deduction.

Salaries and wages exempted from tax are as follows:

		RM.		RM.	
1.	minimum income exempted	600	per annum	50	per mensem
2.	extraordinary outgoings (Sonderleistungen), e.g. social insurance charges, for an amount of	180	..	15	..
3.	Werbungskosten (expenditure incurred for the acquisition, securing and maintenance of income) for a (minimum) amount of	180	..	15	..
	Together	960	per annum	80	per mensem

A deduction of 10 per cent for the wife and each child is allowed in the case of married taxpayers with children[1] and is calculated on that part of the total salary or wage which is not exempted from the Tax. The following deductions may be made, if more favourable to the taxpayer:

	RM.		RM.	
for the wife	120	per annum	10	per mensem
.. first child	120	..	10	..
.. second child ...	240	..	20	..
.. third child	480	..	40	..
.. fourth and each successive child	600	..	50	..

Deductions are effected by the employer and transferred by him to the Finanzkassen (Revenue Cash Offices). The Finance Minister is empowered under the Law to issue directions for the adoption of other procedure, e.g., the affixing of stamps to the taxpayer's Tax Card and cancellation of the same.

The balance of the salary or wage (less the amounts deducted at the source) in excess of 8 000 RM is liable to the ordinary rates and is taxed by the usual assessment procedure.

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(1) Under the terms of the Bill, taxpayers with family responsibilities were granted reductions in the rating of the tax.

Examples of the method of calculating Income Tax are given in the Appendix.

III. COrporation Tax Law (Körperschaftsteuergesetz).

The following are the only points in which the Bill has been altered, and they are of little consequence.

a) The meaning of the term "income" is amplified. The minimum taxable amount of income is the total amount of remuneration of every kind accorded to the members of the Board of Control (Aufsichtsrat).

b) The rates are fixed as follows:

	Law (Act) of August 10,1925	Original Bill
1. general rate (profit-earning corporations)	20 %	20 %
2. in the case of limited liability companies with registered offices in Germany, whose capital, or the value of whose property assessed for the Tax on Real and Personal Property (Vermögenssteuer) does not exceed 50 000 RM.		
for the first 8 000 RM. of the taxable income	10 %	10 %
from 8 000 to 12 000 RM. of the taxable income	12.5 %	from 8 000 to 16 000 15 %
from 12 000 to 16 000 RM of the taxable income	15 %	

	Law (Act) of August 10,1925		Original Bill
from 16 000 to 20 000 RM. of the taxable income	20 %)		
from 20 000 to 28 000 RM. of the taxable income	25 %)	)from 16 000)to 24 000	20 %
over 28 000 RM.of.the.taxable income	30 %	over 24 000	25 %
The total tax not to exceed.. of the taxable income	20 %		20 %
3. Companies and concerns established under Public Law, private Banks of Issue, etc.	10 %		10 %

IV. Law concerning the Tax on Real and Personal Property and the Tax on Successions (Gesetz über Vermögen- und Erbschaftsteuer).

A. Tax on Real and Personal Property (Vermögensteuer).

The changes in the provisions of the Bill embodied in the Law relate to the rates of assessment.

Rates of Assessment (§ 7)	Law (Act) of August 10,1925	Original Bill
Capital under 10 000 RM.	2 per mille)	3 per mille
.. from 10 000 to 25 000 RM.	3 ..)	
.. .. 25 000 to 50 000 RM.	4 ..	4 ..
.. over 50 000 RM.		5 ..
from 50 000 to 250 000 RM.	5 ..	5 ..
.. 250 000 to 500 000 RM.	5.5 ..	5 ..

	Law (Act) of August 10,1925	Original Bill
from 500 000 to 1 000 000 RM.	6 per mille	5 per mille
from 1 000 000 to 2 500 000 RM.	6.5 ..	5 ..
from 2 500 000 to 5 000 000 RM.	7 ..	5 ..
over 5 000 000 RM.	7.5 ..	5 ..

The foregoing rates are applicable to the total capital (and not to the different properties composing the capital).

The maximum rate of assessment cannot exceed 5 per mille for property liable to the taxes imposed by the Federal States (Länder) or communes on different forms of income. (1).

Exemptions.

The exemptions granted under the Bill are supplemented in the Law by an exemption in favour of taxpayers who are not under 60 years of age, who are incapacitated from earning their own living and whose taxable capital and taxable income do not exceed 30 000 RM. and 4 000 RM. respectively (5 000 RM. in the case of taxpayers with more than two children under age).

Transitional Provisions.

The provisions of the Law are to be applicable for the compilation of the Real and Personal Property Tax Assessment rolls

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(1) The Law accordingly revives the sliding scale of rates up to 7.5.per mille, which was fixed at the time when the tax was first introduced; in fact, however, the rates over 5 per mille will affect only movable capital, since immovable property, business capital, etc., are taxed by the States or Communes and consequently benefit by the reduced rate of 5 per mille.

for 1925.

Pending the definite assessment of the Tax for 1925, taxpayers must make two anticipatory payments, the first on February 15, 1925 and the second on November 15, 1925, each payment to amount to one quarter of the tax fixed for 1924.

B. Tax on Successions (Erbschaftsteuer).

The main provisions of the Bill are retained in the Law.

V. Law in Amendment of the Taxes on the Movement of Capital (Gesetz zur Aenderung der Verkehrsteuern und des Verfahrens)

The Law retains to a certain extent the provisions of the Bill relative to :

a) the Tax on the foundation or amalgamation of Companies (Gesellschaftsteuer), the tax in the case of the foundation of companies being reduced from 5 to 4 per cent, and in the case of the amalgamation of companies from 2 1/2 to 2 per cent;

b) the Tax on Securities (Wertpapiersteuer). The tax is reduced from 3 to 2 per cent in the case of issues of industrial debentures and from 5 to 4 per cent for foreign

shares;

c) the Tax on Bourse Transactions (Börsenumsatzsteuer).

The last named Tax is fixed at the following rates per 100 RM. on the basis of the amounts involved in the respective transactions:

	Transactions		
	between Brokers	for the account of Clients	private transactions
a) Bonds of the Reich, Federal States or Communes, etc.	0.02	0.04	0.04
b) Mortgage Bonds, etc.	0.03	0.06	0.06
c) Other Bonds and debentures, Foreign Bonds, etc.	0.05	0.10 (1)	0.10 (1)
d) Shares, etc.	0.10	0.30	0.30
e) Foreign Bank Notes, etc.	0.05	0.30	0.30
f) Other foreign media of payment	(2) 0.01	(3) 0.01	(3) 0.01
g) Goods	0.04	0.04	0.04

The tax on participatory rights in limited liability companies is fixed at 0.50 RM. per cent, the minimum amount payable as tax being 3 RM.

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(1) Rate prescribed in the original Bill : 0.20 per cent.
(2) ditto ditto ditto : 0.02 per cent.
(3) ditto ditto ditto : 0.10 per cent.

d) The Special Tax on the Fees (Tantiemen) of Directors of Boards of Control (Aufsichtsratsteuer) is abolished. These fees are in future to be taxed under the Corporation Tax Law.

e) Tax on Real Estate transactions. The rate of the tax is reduced from 4 to 3 per cent.

f) Tax on Bills of Exchange. The tax is reduced from 0.20 to 0.10 per cent of the amount involved.

g) Turnover Tax (Umsatzsteuer). The following are exempted from the Tax : artists, authors, etc., whose turnover does not exceed 6 000 RM. per annum; brokers and dealers, who are under an obligation to keep books, and whose turnover is less than 6 000 RM.

The rate of the ordinary Turnover Tax is reduced from 1.5 per cent to 1 per cent (1) as from October 1, 1925, while the Luxury Tax is brought down from 10 to 7.5 per cent.

The taxes levied by the Federal States and Communes on the prices of rooms in hotels, pensions, etc., is abolished as from September 1, 1925.

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(1) The Law of August 10, 1925, reduces the rate of the Tax to 1.25 per cent. The reduction to 1 per cent was introduced under the Customs Tariff Law of August 17, 1925 (see § 9 Reichsgesetzblatt I.40, page 263).

VI. Law for Increasing the Beer and Tobacco Taxes (Gesetz über Erhöhung der Bier- und Tabaksteuer).

A. Tax on Beer.

a) Under the Law the rate of the tax in force hitherto is increased by one-third as from April 1, 1926. The tax is assessed on the quantity of beer produced in a brewery in the course of a single business year on the basis of the following rates:

	Rates at present in force	Rates proposed in the Bill	Rates under the Law
	(Reichsmarks per hectolitre)		
on the first 1 000 Hl.)			6.00
)	5.00	10.00	
.. next 1 000 Hl.)			6.50
.. .. 8 000 Hl.	5.10	10.25	6.75
.. .. 10 000 Hl.	5.25	10.50	7.00
.. .. 10 000 Hl.	5.40	10.75	7.25
.. .. 30 000 Hl.	5.60	11.20	7.50
.. .. 60 000 Hl.	5.90	11.70	7.80
over 120 000 Hl.	6.10	12.20	8.15

b) The tax is payable generally on the 25th of the second month following the month in which the consignments of beer were delivered. (Under the system in force hitherto the tax was payable twice monthly.)

c) The exemption from the tax in favour of persons manufacturing beer for their personal consumption is retained in the Law. (Under the Bill this exemption was to be abolished).

The quotas of the yield of the tax assigned to the States of Wurttemberg, Bavaria and Baden are fixed as follows as from October 1, 1924:

	Under the new Law	Present Payments.
Wurttemberg	3 300 000 RM.	
Bavaria	17 200 000 RM.	3 200 000 (1)
Baden	2 200 000 RM	
	22 700 000 RM.	

B. Tax on Tobacco.

There are certain amendments to the provisions of the Bill.

a) The duty on tobacco substitutes is increased from 20 to 60 RM. per 100 Kg.

b) The rates of the Tax on the consumption of tobacco are not altered under the new Law, except as regards cut smoking tobacco.

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(1) According to the budget estimate for 1925 (XVII Expenditure 1.3)

The duties on cut smoking tobacco are increased by one-eighth and are fixed at the following rates on the basis of retail prices:

	System in force hitherto	Duties under the new Law. Tax per Kg.
	(Reichsmarks)	
up to 6 RM. per Kg.	2.40	2.70
.....	....	....
up to 8 RM. per Kg.	3.20	3.60
.....	....	....
up to 20 RM. per Kg.	8.00	9.00
etc.		

c) The Customs duties on tobacco are also amended as follows:

	Tariff in force hitherto	Duties under the new Law.
	(per 100 Kg.)	
Tobacco leaves, unmanufactured	30	80
Stalks	17	31
Tobacco lyes	19	49
Carrots, etc.	35	92
Snuff & chewing tobacco etc.	4 000	5 000
Cut Smoking Tobacco	7 500	9 000
ditto, other	4 000	5 000
Cigars	6 000	7 500
Cigarettes	7 500	9 000

d) Tax on the Raw Material (Materialsteuer).

The Law provides for a tax of 250 RM. per 100 Kg. on the raw tobacco used for the manufacture of cigarettes (Materialsteuer) payable upon delivery of the tobacco at the cigarette factory.

Cigarettes imported from abroad pay, in addition to the Tobacco Tax and the usual Customs duty, a surtax (Ausgleichsteuer) which is payable at the same time as the Customs duty.

The Minister is authorised, with the assent of the Reichsrat and of the Taxation Committee of the Reichstag, to modify the proportion between the tax on raw tobacco (Materialsteuer) and that on the consumption of cigarettes.

e) In pursuance to the foregoing provision the Finance Minister has issued a decree under date of August 11, 1925, which was published in the Reichsgesetzblatt I No.39.

The rates hitherto in force for the tax on the consumption of cigarettes are halved (20 per cent instead of 40 per cent of the retail price).

Retail price, inclusive of Tax. RM.	Tax in force hitherto RM. per 1 000 cigarettes	Tax under the new Decree
up to 0.005 per cigarette	2	1
" " 0.01 " "	4	2
.....	...	...
up to 0.15 per cigarette	60	30
etc. etc.	...	...

The rate of the Tax on Raw Materials (Materialsteuer) and of the surtax on foreign cigarettes (Ausgleichsteuer), on the other hand, is increased from 250 RM. per 100 Kg. (rate under the new Law) to 900 RM.

The Decree comes into force on October 1, 1925.

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VII. Law in Amendment of the Taxes on Consumption (Gesetz zur Aenderung von Verbrauchssteuern).

A. Wine Tax Law (Weinsteuergesetz)

The Law on the Wine Tax is completely transformed. The tax is now levied upon deliveries of wine to the consumer, removals of wine from the warehouse, etc.

Provision is made for exemptions (consumption by the producer, etc.).

The tax is assessed on the price of the wine delivered to the consumer (exclusive of tips etc.).

Rate of the Tax.

The tax is rated as follows:

a)	for sparkling or similar wines	30 per cent of the sale price
b)	for other wines	20 " " " " "

The tax on sparkling wines is reduced by one quarter until September 30, 1927.

Payment of the Tax.

The tax is payable on the 15th of the third month following the month of delivery, or, in the case of imported wines, at the

same time as the usual Customs duties.

The Law comes into force on August 1, 1925.

B. Match Tax (Zündwarensteuer).

The method of assessment is amended under the new Law.

The tax, which has hitherto been fixed at 60 per cent of the value of the matches, is now rates as follows:

a) wooden, etc., matches

	RM.
per box containing not less than 21 matches	0.002
" " " from 21 to 30 "	0.003
" " " " 30 to 60 "	0.006
" " " more than 60 matches and for every 60 matches or fractions thereof	0.006

b) wax, etc., matches, in boxes

per 20 matches	0.02
etc., etc., etc.	

The tax is payable on the 10th of the second month following the month in which the matches are delivered to the trade.

The date of the coming into force of the Law is to be fixed by the Finance Minister.

C. Salt Tax (Salzsteuer).

The tax, which has hitherto been rated at 45 per cent of the wholesale price, is fixed under the new Law at 3 RM. per 100 Kg. net weight.

The date of the coming into force of the above provision is to be fixed by the Finance Minister.

D. Sugar Tax (Zuckersteuer).

The rate of the tax, which has been in force since December 13, 1923, (8.40 RM. per 100 Kg. of glucose, 21 RM. per 100 Kg. of other sugars) is retained by the Law.

The tax is payable on the last day of the second month following the month of delivery.

E. Tax on Playing Cards (Spielkartensteuer).

The only provision in the new Law is one rendering the payment of the tax (30 pf. per pack) due on the 10th of the second month following the month in which the cards are delivered to the trade.

VIII. Law concerning the Reciprocal Taxation Rights of the Reich, the Federal States and the Communes (Gesetz über die gegenseitigen Besteuerungsrechte des Reiches, der Länder und der Gemeinden).

The above Law governs the taxation rights of the Reich, the States and the Communes in regard to the industrial concerns and services operated by each.

The amendments to the Bill are of no great significance.

IX. Law Amending the Finanzausgleich (Arrangement for the Allocation of Revenue) between the Reich, the Federal States and the Communes (Gesetz über Aenderungen des Finanzausgleichs zwischen Reich, Ländern und Gemeinden).

1. Participation of the Federal States in the yield of the taxes of the Reich.

The Federal States receive from the yield of the taxes of the Reich:

	from Oct.1, 1925 to March 31,1926.	from March 31, 1926 onwards.
Income Tax	75 %	75 %
Corporation Tax	75 %	75 %
Turnover Tax	35 %	30 %

Moreover, the Reich guarantees to the States, during the financial years 1925-1926 and 1926-1927, (§ 4) transfers amounting in all to not less than 2 100 million RM. on account of the taxes named above. Again, should the receipts from the Turnover Tax fall short of 1 500 million RM. in either of the aforesaid financial years, the transfers to the States will be calculated on the assumption that the receipts from this Tax amount to 1 500 million RM., and the balance will be transferred to the States and Communes, even if the transfers to them on account of all three taxes exceed 2 100 millions.

Should a Commune over-estimate the amount which it requires from taxes, other imposts and the surpluses of its industrial undertakings, in order to cover increased expenditure, out of all proportion to its 1914 expenditure, the Government of the State in question is authorised to reduce the commune's quota of the transfers on account of Income or Corporation Tax. (§ 6)

From April 1, 1927 the States will be entitled, by virtue of a special Law to be introduced later, to fix independently their quotas of the Income and Corporation Taxes. The same Law will determine the quota of these taxes to be retained by the Reich. (§ 8)

The Finance Minister of the Reich is to decide, with the assent of the Reichsrat, what information is to be supplied by the States and Communes as regards their income and expenditure. (§ 9)

The Law also fixes the method to be followed for the allocation of the transfers among the different Federal States.

2. Compensation for losses due to currency depreciation in the case of built-on land sites (Geldentwertungsausgleich bei bebauten Grundstücken). (1)

The Federal States, and in conformity with the Laws of each State the Communes, levy a tax on built-on land sites (including sites covered with commercial or agricultural buildings).

The yield of the tax is appropriated: 1) to cover the general expenditure of the States and Communes (including their expenditure on social welfare and 2) to assure the construction of new dwelling houses).

Pending the return of rents to their peace-time level, the portion of the tax affected to the general needs of the States and Communes may amount to not less than 20 per cent or more than 30 per cent of rents. In cases where rents are higher than peace-time rents, the tax on the difference between the present rent and the

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(1) These provisions relate to the Tax on Rents (known as Hauszinssteuer in Prussia and under other names in other States). The Law of the Reich contains general provisions to be observed by the Federal States in collecting the tax.

peace-time rent (i.e. on the amount in excess of 100 per cent of the peace-time rent) must not exceed 20 per cent of such difference.

Under the Law, the States are under an obligation to appropriate a specific portion of the tax to new building, or alternatively to appropriate the yield of some other tax to this object: In the period from April 1, 1926 to April 1, 1928 the portion appropriated to the construction of dwellinghouses must not be less than from 15 to 20 per cent of the pre-War rent.

The Government of the Reich fixes, with the assent of the Reichsrat, the minimum rate for rents applicable in all parts of the Reich. On or before April 1, 1926 rents are to be raised to their pre-War level (100 per cent).

3. Tax on Beverages.

From September 1, 1925 the Communes are prohibited from introducing new taxes on beverages. They are also forbidden to increase those in force on the above-mentioned date. They may not continue to levy taxes on beverages after March 31, 1927.

4. Tax on the Increase of Values (Wertzuwachssteuer)

The States, or conformably to the Laws of the different States the Communes, levy taxes on the increase in the value of immovable property, if the seller acquired the property in question between January 1, 1919 and December 31, 1924. In comparing the original purchasing price with the selling price, the purchasing power of the mark is to be borne in mind.

The Law amending the Finanzausgleich comes into force on October 1, 1925. The Minister of Finance is authorised with the assent of the Reichsrat to issue the regulations for the execution of the Law.

M. HEROIN.

From the French
Translated - CP
Checked - RB
MH.

EXAMPLES OF THE ASSESSMENT OF THE TAXES UNDER THE NEW LAW.

A. INCOME TAX.

Tax levied by declaration.

1. A married taxpayer with two children : engaged in business or trade.

	RM.
Profits for one year (less Werbungskosten and extraordinary outgoings)	9 000
Deductions under the Law:	
a) for income under 10 000 RM.	600
Balance	8 400
b) for family responsibilities : deduction of 8 per cent per dependant, maximum deduction 540 RM. per head (this deduction exceeds the fixed rates) 540 x 3 =	1 620
Taxable income	6 780 RM.
Tax at 10 per cent on this amount	678 i.e. 7.5%.

2. A married taxpayer with five children : agriculturalist.

	RM.
Profits for one year (less extraordinary outgoings &c)	50 000

	RM.
(brought forward)	50 000

Deduction under the Law:

for family responsibilities,

8 per cent per dependant, maximum deduction

540 RM. per head

540 x 6 = 3 240

Balance 46 760

Assessment of Tax:

	Income RM.	Tax RM.	
at 10 % on	8 000	800	
" 12.5 % on	4 000	500	
" 15 % on	4 000	600	
" 20 % on	4 000	800	
" 25 % on	8 000	2 000	
" 30 % on	18 000	5 400	
" 35 % on	760	266	
Totals	46 760	10 366	i.e. 21.1%

Tax levied by retention (Tax on Salaries and Wages)

3. Married employee or workman with two children.

	RM
Wages for one month:	128.50
Deductions under the Law:	
a) for income exempt from tax	80.00
Balance	48.50

(brought forward)	48 50
b) for family responsibilities :	
wife ..... 10 RM.	
first child .. 10 RM.	
second child . 20 RM.	
40 RM.	40.00
	8.50

(N.B. The deduction at 10 per cent is less favourable to this taxpayer.)

Income Tax at 10 per cent deducted at the source 0.85

(The tax is waived if, after all deductions, it does not exceed 0.80 RM. per mensem; the example given above is therefore that of a taxpayer in the lowest class of all.)

4. Employee or worker in same situation as No. 3.

	RM.
Wages or salary for one month:	480.00
Deductions under the Law:	
a) for income exempt from tax	80.00
Balance	400.00
b) for family responsibilities:	
10 per cent x 3 (N.B. more favourable than the fixed deduction)	120.00
Balance	280.00
Income Tax at 10 per cent deducted at the source	28.00 i.e. 5.8%

The following table affords a comparison of the taxes assessed on the bases of the former and the new Laws respectively in the case of Income Tax deducted automatically from salaries and wages.

	Income Tax deducted at the source.		
	Monthly wages or salary	New Law	Old Law
	(in Reichsmarks)		
1. Married employee, childless	98.50	0.85	1.65
	179.90	8.95	8.95
	480.00	36.00	36.00
2. Married employee, one child	108.50	0.85	2.25
	179.95	7.95	7.95
	480.00	32.00	32.00
3. Married employee, two children	128.50	0.85	2.90
	213.33	9.30	7.95
	480.00	28.00	28.00
4. Married employee, three children	168.50	0.85	3.50
	279.95	11.95	9.95
	480.00	24.00	20.00
5. Married employee, seven children	368.50	0.85	-
	429.95	6.95	-
	480.00	8.00	-

B. CORPORATION TAX.

Taxable income of :

	RM
1 - a profit-earning company (joint stock company)	20 000
tax at 20 per cent	4 000

No change as compared with former system.

RM.

2 - a limited liability company with registered offices in Germany and capital under 50 000 RM. 30 000

Assessment of Corporation Tax:

New Law				Old Law		
		Income	Tax		Income	Tax
		(Reichsmarks)			(Reichsmarks)	
10 % on		8 000	800	10% on	8 000	800
12.5 % on the	next	4 000	500	15% on	8 000	1 200
15 %	do.	4 000	600	20% on	8 000	1 600
20 %	do.	4 000	800	25% on	6 000	1 500
25 %	do.	8 000	2 000			
30 %	do.	2 000	600			
		30 000	5 300		30 000	5 100

The amount given above does not exceed the maximum rate (viz:- 20 per cent of the taxable income = 6 000 RM.) and represents accordingly the amount of tax for which the company is liable.

C. TAX ON REAL AND PERSONAL PROPERTY.

RM.

1 - The taxable value of the property of a taxpayer is fixed at 20 000

Tax assessed at 3 per mille (under both the old and the new Law) 600

	RM.
2 - The taxable value of the property of a taxpayer is equivalent to	100 000
Tax assessed at 5 per mille (same rate in both Laws)	5 000
3 - Taxable value of the property of a taxpayer is	2 000 000
Tax assessed at 6.5 per mille (new Law)	13 000
Tax assessed at 5 per mille (old Law)	10 000

If however the taxpayer's property is liable to taxes levied by the Federal States, e.g. Tax on Land and Buildings (Grund- und Gebäudesteuer) or Tax on Industrial Occupations (Gewerbesteuer), he will be taxed at 5 per mille as under the former Law.

From the French
Translated - CP
Checked - RB.
MH.

I.I.301. Doc.No.133

BERLIN, September 14,1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE.

L A W

CONCERNING

THE RECIPROCAL TAXATION RIGHTS

OF THE REICH? THE FEDERAL STATES AND THE COMMUNES.

(G E S E T Z

UEBER

DIE GEGENSEITIGEN BESTEUERUNGSRECHTE

DES REICHS, DER LAENDER UND DER GEMEINDEN)

OF AUGUST 10,1925.

(Reichsgesetzblatt I No 39 of August 15, 1925, page 252)

The Reichstag has adopted the following Law, which is hereby promulgated with the assent of the Reichsrat:

§ 1

(1) The Reich shall pay to the Federal States and Communes (or Associations of Communes), and the Federal States and Communes (or Associations of Communes) shall pay to the Reich, the charges generally prescribed for the use of their respective institutions and organisations and for the transactions of their respective authorities, save in so far as the transactions of the said authorities are occasioned by, or effected in, the exercise of a public office. The obligation to pay the said charges lapses in cases where exemption from such charges is granted by Law, by Statutes or under an Agreement. The claim of the Postal Administration of the Reich to all charges to which it is entitled is not affected hereby.

(2) The Reich is exempt from all judicial charges, and the Federal States are exempt from the charges arising out of proceedings in the Courts of the Reich.

§ 2.

(1) The Reich shall pay to the Federal States and Communes (or Associations of Communes), and the Federal States and Communes (or Associations of Communes) shall pay to the Reich

the imposts (Beiträge) levied for the purpose of covering the cost of the establishment and maintenance of institutions and organisations required in the public interest from ground landlords and from persons exercising a commercial occupation, to whom special economic advantages accrue therefrom. The said imposts include, in particular, Road taxes (Strassenbaubeiträge).

(2) The Postal Administration of the Reich is not liable to the payment of imposts save in its capacity as a ground landlord. Nevertheless, it may be required to pay imposts (anticipatory payments) for the purpose of covering costs arising out of any extraordinary disrepair of the roads (§ 12 sentence 5 of the Revenue Allocation Law - Finanzausgleichsgesetz); the said imposts may, however, only be levied in respect of passenger traffic services for which a fare is charged, and must not be less favourable than those levied from the other users of the roads.

§ 3.

The Reich, the Federal States and the Communes (or Associations of Communes) are liable to the Corporation Tax (Körperschaftsteuer) and to the Tax on Real and Personal Property (Vermögensteuer) in conformity with the provisions of the respective Laws concerning these taxes.

§ 4.

(1) The Federal States and Communes (or Associations of Communes) may require payment by the Reich of the Taxes on Land and Buildings (Grund- und Gebäudesteuern) levied by them, save in respect of land sites which are intended for a public service or for other public use. The taxes levied on account of the Arrangement for the Compensation of Losses due to Currency Depreciation (Geldentwertungsausgleich) in respect of built-on land sites rank as Taxes on Land and Buildings for the purposes of the present provision.

(2) Land sites will not be regarded as being intended for a public service or for other public use, if they are used for dwelling house purposes. The foregoing provision does not apply to the barracks of the Defence Forces (Wehrmacht), or to the Parade Stations (Bereitschaftsräume) of the State Police (Schutzpolizei), or of the Water Police of the Reich (Reichswasserschutz), or to dwelling houses which are connected with the said barracks or parade stations, or are situate in the vicinity thereof, and are assigned in the interests of the service concerned to members of the Defence Forces, State Police or Water Police of the Reich. The provisions of the Law concerning the taxation of the official dwelling houses of officials of the Reich (Gesetz betreffend die Besteuerung der Dienstwohnungen der Reichsbeamten)

of June 16,1920 (Reichsgesetzblatt I page 517) are not affected hereby.

(3) The Railway Company of the Reich (Reichsbahngesellschaft) may also be required to pay the Taxes on Land and Buildings levied by the Communes (or Associations of Communes) in respect of land sites forming part of the property of the Railway of the Reich, but the said payments shall not in any Federal State exceed the amount in respect of the said taxes for which the undertaking "Deutsche Reichsbahn" was liable on February 12,1924. Land sites which form part of the property of the Railway of the Reich are exempt from the Taxes on Land and Buildings levied by the Federal States, and from the Taxes levied on account of the Arrangement for the Compensation of Losses due to Currency Depreciation in respect of built-on land sites.

§ 5.

The Federal States and Communes (or Associations of Communes) may not require the concerns and services of the Reich to pay the Taxes on Industrial Occupations (Gewerbesteuern), unless the said concerns and services are liable to the Corporation Tax (Körperschaftsteuer) under the provisions of the Corporation Tax Law.

§ 6.

(1) The Reich may require the Federal States and Communes (or Associations of Communes), and the Federal States and Communes (or Associations of Communes) may require the Reich, to pay taxes on the movement of capital (Verkehrsteuern), but only in so far as the authorities, in carrying out the transactions on which the taxation in question is based, are not thereby exercising a public office entrusted to them. The foregoing condition is regarded as fulfilled in the case of all transactions of the Postal Administration of the Reich involving movement of capital.

(2) The Reich may not require the Federal States and Communes (or Associations of Communes) to pay taxes on the movement of capital to an extent exceeding that to which the Reich is liable to the said taxes; in any Federal State the Reich may not be required to pay taxes on the movement of capital to an extent exceeding that to which the Federal State in question is liable to the said taxes.

(3) Notwithstanding the provision contained in paragraph 1 sentence 2 above, the Postal Administration of the Reich may be required to pay the taxes of the Federal States and Communes (or Associations of Communes), which are employed either in toto or partially for the upkeep of the public roads; the said taxes may not be levied in respect of services conducted exclusively

for the despatch of postal matter.

(4) The special provisions as to exemption contained in the Law concerning the Turnover Tax (Umsatzsteuergesetz) are not affected hereby.

§ 7.

The provisions of § 6 apply mutatis mutandis to the liability of the Federal States and Communes (or Associations of Communes) to Taxes on Consumption (Verbrauchsteuern) levied by the Reich, and to the liability of the Reich to taxes of the same nature levied by the Federal States and Communes (or Associations of Communes).

§ 8.

(1) The industrial concerns of the Reich which rank as administrations exercising a public office, including the Postal and the Monopoly Administrations and likewise the railway stations, workshops and other establishments of the Railway Company of the Reich (Reichsbahngesellschaft), must, if the domiciliary communes (Wohngemeinden) of their employees claim therefor, pay contributions (Zuschüsse) in aid of the administrative expenditure of the said domiciliary communes in accordance with the terms of §§ 9 and 10.

(2) Domiciliary communes within the meaning of these provisions are Communes in which, on the day of the last general census, employees, i.e., officers (Beamte), clerical workers (Angestellte) and manual workers (Arbeiter), who were employed in the concerns and services specified in paragraph 1, had their domicile, or in default of a domicile in Germany had their habitual residence, and together with their family dependents formed more than five per cent of the population of the Commune. The last general census is regarded as being the last census taken prior to the business year of the domiciliary commune, in favour of which the contribution is claimed.

(3) The independent Gutsbezirke (districts consisting of the estates of a single landowner) rank as Communes within the meaning of the present provisions.

§ 9

(1) The said contributions are to be paid solely in aid of the recurrent expenditure of the domiciliary communes (Wohngemeinden) on account of general administrative purposes, elementary education, social welfare, construction of dwelling houses and the upkeep of the public streets, roads and squares. The said recurrent expenditure is also held to

include interim payments on account of the interest or amortisation of loans, which have been employed exclusively for non-recurrent expenditure for the purpose specified in sentence 1.

(2) The said contributions will be computed on the basis of the administrative expenditure of the domiciliary communes specified in paragraph 1 in the business year preceding the business year for which the said contributions are claimed. The said expenditure will be divided into fractions proportionate to the number of the population according to the position at the time of the last general census; from the fraction thus allocated to the employees in the concerns and services and their family dependents there will be deducted a multiple, corresponding to the number of the said employees, of the average amount deducted in the preceding business year for each employee in the business Commune (Beschäftigungsgemeinde: see § 23 of the Law amending the Finanzausgleich Agreement concerning the Allocation of Revenue between the Reich, the Federal States and the Communes) for transfer to such Commune as its share of the Income Tax (Einkommensteuer) collected by deduction at the source from salaries or wages. The contribution amounts to

30 per cent of the amount thus obtained, if the employees together with their dependents did not form more than 20 per cent of the population.

50 per cent of the amount thus obtained, if the employees together with their dependents formed over 20 per cent, but not more than 40 per cent, of the population,

70 per cent of the amount thus obtained, if the employees together with their dependents formed over 40 per cent, but not more than 60 per cent, of the population,

90 per cent of the amount thus obtained, if the employees together with their dependents formed over 60 per cent of the population.

(3) Where expenditure of the kind specified in paragraph 1 hereinbefore is assumed by the Association of Communes (Gemeindeverband) to which the domiciliary commune belongs, such expenditure may be taken as a basis for computing the contributions, to the extent to which such expenditure would be borne by the domiciliary commune, were it not assumed by the Association of Communes. The domiciliary Commune must transfer to the Association

of Communes the share of the contributions going to the latter in accordance with the foregoing provision.

(4) Grants (Beihilfen), which the Communes entitled to contributions receive under Agreements from the resources of the Reich in aid of their administrative expenditure, are to be charged to the aforesaid contributions.

§ 10.

(1) Claims for contributions must be forwarded to the concerns and services affected before the expiration of the business year to which such claims relate.

(2) The administration of the aforesaid contributions, and the procedure for legal redress in respect of the same, are governed by the provisions applicable to the taxes of the Reich. The business transactions of the Finanzämter (Revenue Offices) will be under the supervision of the authorities who are competent under the Laws of the Federal State conderned for determining the taxes of the Communes: in the event of doubt as to competency, the Government of the Federal State concerned will decide. In the case of appeals, the Finance Courts (Finanzgerichte) are replaced by the administrative authorities or administrative courts which are competent under the Laws of the Federal States

concerned, provided that such authorities or courts are qualified to hear evidence as to facts. The Reichsfinanzhof (Supreme Financial Court of the Reich) acts as the court of final appeal.

(3) The Finance Minister of the Reich is empowered, with the assent of the Reichrat, to issue specific provisions relative to the method of computing the contributions mentioned hereinbefore.

§ 11.

The provisions for the execution of the present Law are issued by the Finance Minister of the Reich with the assent of the Reichrat.

§ 12.

The contributions which are claimed in accordance with §§ 8 to 10 for business years beginning in the calendar years 1925, 1926 and 1927 will be computed in the following manner : there will be deducted from the administrative expenditure allocated in accordance with § 9 paragraph 2 to the employees in the concerns and services and their family dependents a multiple, corresponding to the number of the said employees, of the share, to which the Commune is entitled under the Laws of the

Federal State in question, of the average sum deducted at the source of each employee in the preceding business year by the concerns and services in question from wages or salaries in respect of Income Tax (Einkommensteuer).

§ 13.

The Taxation Law of the Reich (Reichsbesteuerungsgesetz) of April 15,1911, (Reichsgesetzblatt page 187) is annulled.

§ 14.

The provisions of §§ 8 and 9 of the present Law come into force as from April 1, 1925, replacing as from the aforesaid date § 6 of the Taxation Law of the Reich (Reichsbesteuerungsgesetz); the other provisions of the present Law come into force as from October 1,1925. Claims and exemptions which were made good under the Taxation Law of the Reich before the aforesaid dates are not affected hereby; outstanding proceedings will be completed according to the prescriptions in force hitherto.

Berlin, August 10, 1925.

The President of the Reich

von HINDENBURG

The Finance Minister of the Reich

von SCHLIEBEN

From the German
Translated - CP
Checked - RB
BB.

I.I. 301 Doc. No. 134

Berlin, September 14, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

L A W

IN AMENDMENT OF THE FINANZAUSGLEICH

(ALLOCATION OF REVENUE)

BETWEEN THE REICH, THE FEDERAL STATES AND THE COMMUNES

(GESETZ

UEBER AENDERUNGEN DES FINANZAUSGLEICHS

ZWISCHEN REICH, LAENDERN UND GEMEINDEN)

OF AUGUST 10, 1925.

(Reichsgesetzblatt I, No. 39 of August 15, 1925, page 254).

The Reichstag has adopted the following Law, which is hereby promulgated with the assent of the Reichsrat :

ARTICLE I.

PARTICIPATION OF THE FEDERAL STATES
IN THE YIELD OF THE TAXES OF THE REICH.

§ 1.

§ 20 of the Law concerning the Finanzausgleich (Allocation of Revenue) as amended by § 39 of the Third Steuernotverordnung (Emergency Tax Decree) of February ~~15~~ 14, 1924, (Reichsgesetzblatt I page 74) is hereby amended to read as follows:

Oct. 1, 1925 (from reading the German text).

"§ 20.

"(1) As from February 1, 1924, the Federal States receive three-quarters of the proceeds of the Income Tax (Einkommensteuer) and the Corporation Tax (Korperschaftsteuer). The proceeds assigned to the Federal States will be allocated in accordance with the ratio fixed under the terms of §§ 21 to 30 (Index of Allocation).

"(2) The proceeds accruing in the period from October 1, 1925, to March 31, 1926, will be allocated in accordance with allocation indices to be fixed in conformity with Article IV b paragraph 1 to 4 of the Law amending the Landessteuergesetz (Federal States Tax Law) as amended by § 10 figure 3 of the present Law."

§ 2.

In § 57 paragraph 1 of the Law concerning the Finanzausgleich (Allocation of Revenue) as amended by § 39 of the Third Steuernotverordnung (Emergency Tax Decree) the words "as to ninety per cent of the proceeds" are replaced by the words "as to three-quarters of the proceeds."

§ 3.

§ 38 of the Law concerning the Finanzausgleich (Allocation of Revenue) as amended by § 39 of the Third Steuernotverordnung (Emergency Tax Decree) and of the Law of March 26, 1925, concerning the Adjustment of the Finanzausgleich in the first half of the Financial Year 1925 (Reichsgesetzblatt I page 29) is amended to read as follows:

"§ 38.

"(1) The Federal States receive for themselves and their Communes (or Association of Communes) in the period from October 1, 1925, to March 31, 1926, thirty-five per cent, and as from April 1, 1926, thirty per cent, of the proceeds of the Turnover Tax (Umsatzsteuer). The amount hereof to be assigned to the Communes (or Associations of Communes) is determined by legislation in the different Federal States.

"(2) The total amount of the quota assigned to the Federal States will be allocated, as to one-third, in proportion to the amount of the proceeds in each Federal State and, as to two-

thirds, in proportion to the population of each Federal State. The result of the census immediately preceding the allocation will be taken as a basis for the purpose of the allocation in proportion to the population."

§ 4.

(1) With a view to enabling the Federal States and Communes (or Associations of Communes) to fulfil the duties incumbent upon them, in particular with regard to social welfare and education, it is hereby provided that, should the total of their quotas of the Income Tax (Einkommensteuer), Corporation Tax (Körperschaftsteuer) and Turnover Tax (Umsatzsteuer) amount to less than 2 100 million Reichsmarks in either of the financial years 1925 or 1926, the balance will be placed at the disposal of the Federal States and Communes out of the Budget of the Reich, more especially from the proceeds of the un-assigned Taxes on Consumption (Verbrauchsabgaben).

(2) If in either of the financial years 1925 or 1926 the quota of the Turnover Tax assigned to the Federal States and Communes (or Associations of Communes) is computed on the basis of proceeds amounting to less than 1 500 million Reichsmarks, the balance will be placed at their disposal, even if the total of their quotas of the Income Tax, Corporation Tax and Turnover Tax is equal to, or in excess of, the amount specified in paragraph 1 hereinbefore.

§ 5.

The Law concerning the Finanzausgleich (Allocation of Revenue) as amended by § 39 of the Third Steuernotverordnung (Emergency Tax Decree) is amended as follows:

1. in § 19 paragraph 2 the words "Bourse Tax (Börsensteuer) (§ 46 a)" are omitted,

2. § 46a and § 55a are omitted,

3. in § 57 paragraph 3 the words "and of the Bourse Tax (§ 46a)" are omitted.

§ 6.

Should a Commune (or Association of Communes) overestimate its expenditure in the financial year 1926 to be covered from taxes and other imposts and surpluses from industrial undertakings, at an amount out of all proportion to its corresponding requirements in the year 1914, the Government of the Federal State concerned, or the authority appointed herefor by such Government, is entitled to reduce the quotas of the Income Tax (Einkommensteuer) and Corporation Tax (Körperschaftsteuer) assigned to the said Commune (or Association of Communes). The decision whether a Commune (or Association of Communes) has overestimated its expenditure in the manner described, rests with the Government of the Federal State concerned, or the authority appointed herefor by the said Government. In this connection, the factor of

the general increase in prices will be taken into consideration, and account will be had to the fact that under § 42 of the Third Steuernotverordnung (Emergency Tax Decree) certain duties in regard to social welfare have been transferred to the Communes (or Associations of Communes) and that the situation of particular Communes (or Association of Communes) may have undergone appreciable modifications since 1914.

§ 7.

For the purpose of fixing the indices of allocation specified in § 20, paragraph 1 of the Law concerning the Finanzausgleich (Allocation of Revenue) the Finance Minister of the Reich is empowered, with the assent of the Reichsrat, to adapt the provisions contained in §§ 21 to 26 and §§ 47 to 49 of the Law concerning the Finanzausgleich to the Income Tax Law (Einkommensteuergesetz) of August 10, 1925, (Reichsgesetzblatt I page 189). In this connection in § 23 the close of the taxable period may be taken as the key-date in lieu of the day of the general census prescribed as a basis for the principal assessment.

§ 8.

(1) The Federal States and the Communes (or Association of Communes) will be empowered under the terms of a special Law of the Reich, as from April 1, 1927, to fix quotas of the Income Tax (Einkommensteuer) and Corporation Tax (Körperschaftsteuer) independently.

(2) The Law contemplated in paragraph 1 hereinbefore will contain provisions specifying the quota of the transferable taxes to be retained by the Reich, and the form to be given to the right of the Federal States and Communes (or Associations of Communes) to fix quotas independently. The said Law will further make it obligatory for the Federal States to fix by legislation, in conformity with directions to be issued by the Finance Minister of the Reich with the assent of the Reichsrat, the percentage of the taxation requirements of the Federal States and the Communes (or Associations of Communes) to be covered from quotas of the Income Tax and Corporation Tax on the one hand and from Taxes on Land and Buildings (Grund- und Gebäudesteuern) and Taxes on Industrial Occupations (Gewerbesteuern) on the other hand.

(3) The following data must be available prior to the issue of the said Law :

1. the provisional results of the first general assessment for Income Tax and Corporation Tax undertaken by virtue of the Income Tax Law (Einkommensteuergesetz) of August 10, 1925, (Reichsgesetzblatt I page 189) and of the Corporation Tax Law (Körperschaftsteuergesetz) of August 10, 1925. (Reichsgesetzblatt I page 208), and further the provisional calculation of the quotas transferable to the Federal States and Communes;

2. a general survey of the unit-values in accordance with the Assessment Law of the Reich (Reichsbewertungsgesetz) of

August 10, 1925, (Reichsgesetzblatt I, page 214);

3. a detailed statement regarding the revenue accruing to the Federal States and Communes (or Associations of Communes) from taxes, other imposts and industrial undertakings in the financial year 1925, and the first half year of the financial year 1926, and also regarding the corresponding revenue in the financial year 1913;

4. a detailed statement regarding the whole administrative expenditure of the Federal States and Communes (or Associations of Communes), and more especially of their sovereign expenditure (Hoheitsausgaben : i.e. expenditure incurred by them independently of the Reich in virtue of their own sovereign powers) in the financial year 1925, and in the first half of the financial year 1926, and also regarding the corresponding expenditure in the financial year 1913;

5. a hard and fast distribution of the duties of government as between the Reich, the Federal States and the Communes (or Associations of Communes) on the basis of § 42 of the Third Steuernotverordnung (Emergency Tax Decree).

(4) The specific provisions for the execution of paragraph 3 are issued by the Finance Minister of the Reich with the assent of the Reichsrat.

§ 9.

§ 69 of the Law concerning the Finanzausgleich (Allocation of Revenue) will be supplemented by the following paragraph 2 :

"(2) The specific provisions regarding the collection and communication of information in connection with the revenue and expenditure of the Federal States and Communes (or Associations of Communes) more particularly for the purpose of the execution of the provisions of § 8 paragraph 3 of the Law amending the Finanzausgleich between the Reich, the Federal States and the Communes of August 10, 1925, (Reichsgesetzblatt I page 254) shall be issued by the Finance Minister of the Reich with the assent of the Reichsrat."

§ 10.

The Law amending the Landessteuergesetz (Federal States Tax Law) as amended by § 40 of the Third Steuernotverordnung (Emergency Tax Decree) is amended as follows:

1. In Article IV paragraph 2 figure 3 the words "June 30, 1923" are replaced by the words "March 31, 1923".

2. Article IV a is amended as follows:

" Article IV a.

"(1) The indices of allocation for the Income Tax (Einkommensteuer) and Corporation Tax (Körperschaftsteuer)

will be based in the financial year 1925 on the estimates of the yield of the two taxes deduced

"1. from the amounts of Tax assessed in the period from January 1, 1923, to December 31, 1924,

"2. from the modifications in the assessed amounts of tax, which are made in the period specified in figure 1 hereinbefore.

"(2) The following are disregarded:

"1. the estimate of yield specified in Article IV paragraph 2, figure 1.

"2. the amounts of tax specified in Article IV paragraph 2 figures 2 and 3.

"3. modifications in the amounts of tax specified in figure 2, which are made prior to December 31, 1924.

"(3) The key-quota of each Federal State will be calculated from the total of the percentage quotas of its Communes, if they have been fixed prior to December 31, 1924.

"(4) The indices of allocation fixed conformably to paragraphs 1 to 3 come into force as from April 1, 1924, in place of the indices fixed conformably to Article IV."

3. The following Article IV b is inserted after Article IV a :

"Article IV b.

"(1) Subsequent to September 30, 1925, the indices of allocation for the Income Tax (Einkommensteuer) and the Corporation Tax (Körperschaftsteuer) will be fixed on the basis of the estimates of the yield of the two taxes deduced

"1. from the amounts of Tax assessed in the period from January 1, 1923, to September 30, 1925,

"2. from the modifications in the assessed amounts of tax, which are made in the period specified in figure 1 hereinbefore,

"(2) The following are disregarded :

"1. the estimate of yield specified in Article IV paragraph 2 figure 1,

"2. the amounts of tax specified in Article IV paragraph 2 figures 2 and 3,

"3. modifications in the amounts of tax specified in figure 2 which are made prior to September 30, 1925.

"(3) The key-quota of each Federal State will be calculated from the total of the percentage quotas of its Communes, if they have been fixed prior to September 30, 1925.

"(4) The indices of allocation fixed conformably to paragraph 1 come into force as from April 1, 1925, in place of the indices fixed conformably to Article IV a.

"(5) The indices of allocation to be fixed in the calendar year 1926 (§ 20 paragraph 1 of the Finanzausgleich (Allocation of Revenue) Law) come into force as from April 1, 1926, in place of the indices fixed conformably to paragraphs 1 to 4 hereinbefore. In fixing the said indices, percentage quotas based on assessments made in conformity with the Income Tax Law and Corporation Tax Law hitherto in force will be disregarded."

4. Sentence 3 of Article V is amended to read as follows:

"The State of Prussia receives three-quarters of the proceeds deducted as hereinbefore prescribed; from February 1, 1924, 90 per cent; and from October 1, 1925, again three-quarters: the remainder goes to the Reich."

ARTICLE II

COMPENSATION FOR LOSSES DUE TO CURRENCY DEPRECIATION IN THE CASE OF BUILT-ON LAND SITES.

§ 11.

The Third Steuernotverordnung (Emergency Tax Decree) is amended as follows:

1. In § 19 paragraph 2 the provision contained in c) is amended to read as follows:

"c) bonds, in so far as they are secured by built-on land sites, which are used exclusively for dwelling house purposes, and are taxed specially under a tax levied in accordance with §§ 26 to 32."

2. § 26 is amended to read as follows:

"§ 26.

"(1) The Federal States and, conformably to the legislation of the latter, the Communes (or Associations of Communes) shall levy a tax on built-on landed estate. Built-on landed estate within the meaning of the present provision includes buildings used for commercial or industrial purposes as well as agricultural buildings. The Federal States decide whether, and to what extent, agricultural buildings are to be exempted from the aforesaid taxation.

"(2) The proceeds of the said Tax will be used to cover the general financial requirements of the Federal States and Communes (or Associations of Communes), including the expenditure devolving upon them as a result of the duties transferred for discharge by them independently under § 42 paragraph 1, as also to promote the construction of dwelling houses.

"(3) Pending the reintroduction of the full peace-time rent, not less than 20 per cent and not more than 30 per cent of the peace-time rent may be reserved for covering the said general financial requirements. Should the rent rise so as to exceed the peace-time rent, not more than one-fifth of the difference may be claimed for the said general financial requirements. Should the rent rise so as to exceed the peace-time rent, not more than one-fifth of the difference may be claimed for the said general financial requirements.

"(4) In so far as the Tax is not ear-marked under paragraph 3 to cover general financial requirements, it shall be applied to dwelling-house building schemes. For this purpose, for the two years from April 1, 1926, to March 31, 1928, before appropriation under paragraph 3 sentence 2, at least 15 to 20 per cent of the pre-war rent (without prejudice to the provision of § 29) shall be made available each year; after that the minimum rate for this purpose shall be fixed by

the Government of the Reich with the assent of the Reichsrat. The Government of the Reich may, with the assent of the Reichsrat, reduce the minimum rate either generally or in the case of individual Federal States, if the general economic conditions or the particular circumstances of any Federal State urgently necessitate such reduction. The Federal States may decide that this portion of the Tax shall be assessed and collected separately; this portion of the Tax may also apply to buildings, which under paragraph 1 sentence 3 are exempt from taxation. In lieu of the portion of the Tax that is to be assigned to building schemes, the Federal States may also levy another Tax independent from the Tax under the present Decree.

"(5) The amount available for the dwelling-house scheme shall be used more particularly for the building of small houses for the less well-to-do sections of the community and for households with large families, and for the preservation of old houses of that type. Similarly, allowance shall be made for such creditors and Savings Bank depositors as have lost their money through the Inflation.

"(6) From the portion of the Tax to be used for the construction of dwelling houses, the Federal States may grant advances, up to the full amount of the building costs, to large families with small means and to severely disabled soldiers,

particularly to blinded soldiers."

3. Paragraph 3 of § 27 is amended to read as follows:

"(3) The Federal States shall make use of the powers conferred upon them under paragraph 1 in such a manner that the rents shall gradually be raised to correspond with the development of the general economic situation. At the same time, and in addition to the taxation requirements of the Federal States and Communes, consideration shall be paid to general interests, more especially in respect of the proper upkeep and repair of the houses, and to the paying capacity of the classes of the community from which the tenants are drawn. In addition to the Tax (§ 26 paragraphs 2 to 4) at least such working expenses and costs of repair as in the existing conditions are required for the upkeep of the building, including the administrative costs, shall be covered by the rents. Further, to cover interest on revalorised mortgages and to provide interest on the capital, the owners of the houses shall be left such amount out of the rent as would suffice to pay interest on a paper mark mortgage, registered before January 1, 1918, and revalorised in accordance with the principle of § 4 of the Revalorisation Law (Aufwertungsgesetz) of July 16, 1925 (Reichsgesetzblatt I, page 117), the nominal value of which corresponds to the pre-war value of the property; the rate of interest specified in § 28 of the

Revalorisation Law shall be deemed to be the standard rate of interest; the Federal States shall arrange that a fixed percentage of the pre-war rent shall be included in the rent for the purpose of covering such interest."

4. The following new provision shall be inserted as § 27 a:

"§ 27 a.

"(1) The Government of the Reich, with the assent of the Reichsrat, shall fix a uniform minimum legal rent for the Reich. By April 1, 1926, rents must have attained 100 per cent of the pre-war rents.

"(2) The pre-war rent is the gold mark amount of the rent, which was agreed upon for the term beginning July 1, 1914. The Federal States will draw up provisions for determining the pre-war rent in special cases; as a special case within the meaning of this provision shall be included the levying of the compensation for Losses due to Currency Depreciation (Geldentwertungsausgleich) in the shape of a Tax on landed property."

5. In § 28

a) the following words shall be added to paragraph 1 after a semi-colon: "particular attention shall be paid to the provisions of § 27 paragraph 3 sentences 3 and 4";

b) paragraph 2 is omitted;

c) paragraph 3 becomes paragraph 2 and is amended to read as follows:

"(2) If, before the coming into operation of this Decree a fixed value charge under Private Law is registered on a land site in conformity with the Decree of February 13, 1920, on the registration of mortgages in foreign currency (Reichsgesetzblatt page 231), or with the Law of June 23, 1923, on fixed value mortgages (Reichsgesetzblatt I page 407), the sum of money representing the value of the recurring obligation arising out of the charge shall be refunded to the owner of the site upon application by the same. The above provision applies also to the land debts in Swiss francs arising out of the conversion of Swiss gold mortgages in virtue of the Law of June 23, 1923 (Reichsgesetzblatt II page 284) concerning the Supplement to the Agreement of December 6, 1920, between the German Reich and the Swiss Confederation, relating to Swiss gold mortgages in Germany and certain categories of franc claims against German debtors, as also to mortgages in German or foreign currency which the ground landlord takes up in liquidation of his franc debt. In this case, the current obligations shall include sinking-fund payments accumulating for the redemption of the franc mortgage. The Governments of the Federal States shall specify what are to be considered as suitable sinking fund payments."

d) paragraph 4 is omitted;

e) paragraph 5 becomes paragraph 3 and is amended to read as follows:

"(3) In the case of land sites, which on December 31, 1918, were either unencumbered or subject to a 'real' charge under Private Law not exceeding 30 per cent of the pre-war value, the amount of the Tax shall, upon application by the owner, be reduced to such an extent that it represents

"in the case of unencumbered land sites, not more than 10 per cent of the pre-war rent;

"in the case of a charge not exceeding 10 per cent of the pre-war value, not more than 15 per cent;

"in the case of a charge not exceeding 20 per cent of the pre-war value, not more than 20 per cent of the pre-war rent;

"in the case of a charge not exceeding 30 per cent of the pre-war value, not more than 25 per cent of the pre-war rent.

The Federal States may raise or reduce these rates, in order to assimilate them to one another or to the general rates; they may for the purposes of a suitable distribution of the taxation charge, impose further grades with special rates of

interest, and decide that the reduction under sentence 1 shall not apply where the Tax falls on rent which exceeds the pre-war rent. If the Tax is not computed on the basis of the pre-war rent, a portion of the standard value under the legislation of the Federal State concerned corresponding to the percentage of the pre-war rent shall be fixed by the Federal State in lieu of the said percentage. Mortgages of the type described in §§ 1187 and 1190 of the Civil Code shall not be regarded as real charges under Private Law, within the meaning of this provision."

f) The following provision is inserted as paragraph 4:

"(4) Where in the cases under paragraph 3 dwelling houses (private houses) are in question, which are not let, or are let only in virtue of official instructions, the Federal States may grant a further reduction in the Tax."

g) The following provision is inserted as paragraph 5:

"(5) The Federal States may decide how far the reductions under paragraphs 3 and 4 shall extend to such land sites as were encumbered in the period from August 1, 1914, to December 31, 1918."

h) In paragraph 6, the words "paragraphs 2, 3 and 4" are substituted for the words "paragraphs 3, 4 and 5".

6. In § 29

a) in sentence 3 the words "25 per cent" are substituted for the words "40 per cent";

b) the following paragraph 2 is added:

"(2) New buildings within the meaning of paragraph 1 shall not include buildings which have been erected entirely or for the most part from public funds in accordance with the Law of July 3, 1916, on the Valuation of War Damages in German territory (Gesetz über die Feststellung von Kriegsschäden im Reichsgebiete: see Reichsgesetzblatt page 675) as compensation for buildings damaged or destroyed by the war."

7. The following new provision is inserted as § 29 a:

" § 29 a.

"Single family houses, which were ready for occupation before July 1, 1918, and at that date were encumbered to an extent not exceeding 20 per cent of the pre-war value, shall upon application be exempted from the Tax, if they are exclusively occupied by the owner and his family, and if the house area does not amount to more than 70 square metres. The letting of a small part of the single family house in virtue of official instructions shall not preclude exemption. Specific provisions, in particular in regard to the principles for the computation of the measurement of the house area,

shall be issued by the Government of the Reich with the assent of the Reichsrat. At the same time, consideration shall be had to the particular circumstances of householders with large families."

8. The following paragraph is added to figure 1 of § 30 :

"The sums paid by the tenants shall be transferred by the landlords in toto. The pre-war rent for the rooms used by the landlord himself shall, if necessity arises, be fixed by the Rent Arbitration Office (Mieteinigungsamt)."

9. In § 31, the following phrase is added after a semi-colon:

"they shall lay down principles for the computation of the pre-war value of the built-on land sites.

"(2) In cases where the regulations issued would constitute a particular hardship or a special advantage, they may take action other than that provided by the provisions of this decree.

"(3) The Federal States shall decide how, and to what extent, indigent persons, who are permanently or temporarily unable to face an increase in their rent and are not in a position to move to another dwelling, are to be assisted with the co-operation of the Relief Associations (Fürsorgeverbände) and how, and to what extent, adequate funds are to be made available for the Relief Associations."

10. § 32 is amended to read as follows:

"§ 32.

"In good time before April 1, 1928, investigations shall be made as to whether the Tax is to be levied after that date. When these investigations are being made, account shall be taken of the general financial requirements of the Federal States and Communes (or Associations of Communes) including the expenditure devolving upon them as a result of the duties transferred for discharge by them independently under § 42 paragraph 1, as also of the housing requirements, in particular the building of new dwelling houses, and of the increase in value of the sites and the consequent increment of property. The matter shall be submitted to the Reichstag and Reichsrat in good time before the aforenamed date."

§ 12.

The Finance Minister of the Reich is empowered to re-issue the provisions of the Third Steuernotverordnung (Emergency Tax Decree) on the compensation for Losses due to Currency Depreciation as a special Law concerning Compensation for Losses due to Currency Depreciation in the case of Built-on Land-sites (Gesetz über den Geldentwertungsausgleich bei bebauten Grundstücken), with consecutively numbered paragraphs, regard being had to the changes introduced by the present Law.

ARTICLE III.

FINAL PROVISIONS.

§ 13.

The Law on the Finanzausgleich (Allocation of Revenue) as amended by § 39 of the Third Steuernotverordnung (Emergency Tax Decree) is amended to read as follows:

1. In § 8 paragraph 1 the words "taxes on Land and Buildings and on Industrial Occupations" shall be substituted for the words "taxes on landed property and commercial undertakings".

2. The following passage is inserted after § 8 as § 8 a :

"§ 8 a.

"If the Federal States levy taxes on Land and Buildings or on Industrial Occupations in accordance with the specific value, they shall take as a basis for such taxes the values assessed for the Tax on Real and Personal Property (Vermögensteuer). The specific provisions shall be contained in a Law of the Reich to be called Assessment Law of the Reich (Reichsbewertungsgesetz)."

3. § 9 shall be amended to read as follows:

"§ 9.

"Taxable standards, which are based on the general taxable capacity of the tax-payer, shall not be taken as a basis for

Taxes on Land and Buildings and Industrial Occupations. This provision shall not preclude consideration of such standards as are economically connected with the landed property or commercial undertaking."

4. In § 10 paragraph 1, the words "Taxes on Land and Buildings and Industrial Occupations" are substituted for the words "Taxes on landed property and commercial undertakings."

5. In § 12

a) sentence 1 is amended to read as follows:

"A tax on the use of the roads by vehicles may be levied in the Federal States for the purposes of the upkeep of the said roads under Public Law."

b) In sentence 4, the words "with the exception of private roads (selbständige Verkehrsanlagen)" are inserted after the word "roads".

6. In § 14

I. in paragraph 1 the words "of mineral waters and artificially prepared drinks" are omitted;

II. in paragraph 2 the words "with the exception of sparkling fruit wines" are substituted for "with the exception of fruit wines".

III. After § 14 the following § 14 a is inserted :

"§ 14 a.

"(1) Communes (or Associations of Communes), which on September 1, 1925, are not levying communal taxes on beverages shall not introduce such taxes. Where Communes (or Associations of Communes) on September 1, 1925, are levying communal taxes on beverages, they shall not raise such taxes above the rates existing on September 1, 1925.

"(2) Communes (or Associations of Communes) which up till September 1, 1925, have introduced taxes on the local consumption of beverages, shall levy them only until March 31, 1927."

7. § 16 is amended to read as follows:

"§ 16.

"(1) The Federal States, or conformably to the legislation of the Federal States the Communes (or Associations of Communes), shall tax increases in value (Wertzuwachs) in the case of conveyances of land-sites, if the conveyor acquired the ownership of the land-sites in the period from January 1, 1919, to December 31, 1924.

"(2) Where increase in value is taxed in accordance with paragraph 1, the purchasing power of the mark at the two dates therein named shall be taken as a basis for the comparison between the purchase and selling price in assessing the taxable increment.

"(3) The provision of § 1 paragraph 5 of the Law to amend the Financial System (Gesetz über Aenderungen des Finanzwesens) of July 3, 1913, (Reichsgesetzblatt page 521) shall remain unchanged."

8. In § 36 paragraph 2, after the words "2 per cent" the words "and, if the increase in value is not taxed, not exceeding 4 per cent" are omitted.

§ 14.

I. Article I § 9 of the Decree of October 30, 1923, on the Arbitration system (Reichsgesetzblatt I page 1043) is amended to read as follows:

"The Reich shall bear the costs of the arbitrators.

"The costs of Arbitration Committees shall be borne by the Federal State setting them up. If several Federal States set up a joint Arbitration Committee, they shall bear the costs jointly."

II. § 1 paragraph 5 of the Decree in execution of the Decree of December 10, 1923, on the Arbitration system (Reichsgesetzblatt I, page 1191) is omitted.

§ 4 paragraph 4 sentence 2 of the same executory decree shall be amended to read as follows:

"They shall go to the Federal State."

III. § 19 paragraph 3 sentence 2 of the Second Decree in execution of the Decree of December 29, 1923, on Arbitration (Reichsgesetzblatt 1924 I, page 9) is amended to read as follows:

"If they are decreed by an arbitrator, they shall go to the Reich; in other cases they shall go to the Federal State."

§ 15.

In the Decree of February 8, 1919, on the setting up of Chambers of Labour in the Mining Industry (Reichsgesetzblatt page 202), the following provision is inserted after § 19 :

" § 19 a.

"(1) The Central authority of the Federal State (Landeszentralbehörde) may decide that the Chambers of Labour may collect directly from the owners of the work-shops the portions of the costs falling on the work-shops concerned and the workmen engaged therein, and may if necessary distrain for the purpose.

"(2) § 19 paragraph 1 sentence 2 and paragraphs 2 to 4 shall apply mutatis mutandis to the disbursement of the portions falling on the workmen and to their recovery by the owner of the industries concerned."

§ 16.

§ 29 of the Law of August 17, 1920, on the Suspension of Military Jurisdiction (Gesetz betreffend Aufhebung der Militärgerichts-

barkeit : see Reichsgesetzblatt page 1579) shall be rescinded as from November 15, 1923.

§ 17.

In the Law amending the Landessteuergesetz (Federal States Taxation Law), as amended by § 40 of the Third Steuernotverordnung (Emergency Tax Decree), and by the Law adjusting the Finanzausgleich (Allocation of Revenue) between the Reich, the Federal States and the Communes for the first half-year of the financial year 1925, the proviso of Article XI sentence 2 is omitted.

§ 18.

(1) The Finance Minister of the Reich is empowered, with the assent of the Reichsrat, to issue the necessary regulations in execution of this Law.

(2) The Finance Minister of the Reich is further empowered, with the assent of the Reichsrat, to re-issue the Law on the Finanzausgleich (Allocation of revenue) between the Reich, the Federal States and the Communes in its amended form and with consecutively numbered paragraphs, and to adjust it at the same time to the existing provisions.

§ 19.

(1) Save in so far as otherwise provided as a result of § 16 and the following paragraphs, this Law shall come into operation on October 1, 1925.

(2) The provisions of § 11 figure 2 sentence 4 and figures 5 c and d

shall come into operation on August 1, 1925.

(3) The following provisions shall come into operation on April 1, 1925: § 11 figure 2 paragraphs 1, 2 and 3 and paragraph 4 sentences 1, 2 and 3 and paragraph 5; figure 3 sentence 3; figures 5b and e (with the exception of the last sentence) f, g and h; and figure 7.

(4) For the rest,

a) the provision of § 11 figure 1 shall come into operation as from February 14, 1924; this provision shall also apply to valid legal settlements of claims in respect of bonds under the Compensation for Losses due to Currency Depreciation (Geldentwertungsausgleich);

b) the provision of § 11 figure 6b shall come into operation as from July 1, 1925.

(5) In so far as the Compensation for Losses due to Currency Depreciation in the case of built-on land sites is applied in any Federal State for the period July 1, 1924, to July 31, 1925, in a form other than that provided in the last sentence of § 28 paragraph 3, or in paragraphs 4 and 5 of the Third Steuernotverordnung (Emergency Tax Decree) in its existing form before amendment by the present Law, no claims for reduction of the Tax on account of the said Compensation procedure can be considered.

6. The provision of § 13 figure 8 shall come into operation on April 1, 1927.

Berlin August 10, 1925.

The President of the Reich

von HINDENBURG

The Finance Minister of the Reich

von SCHLIEBEN

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